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What Are Cooperatives?

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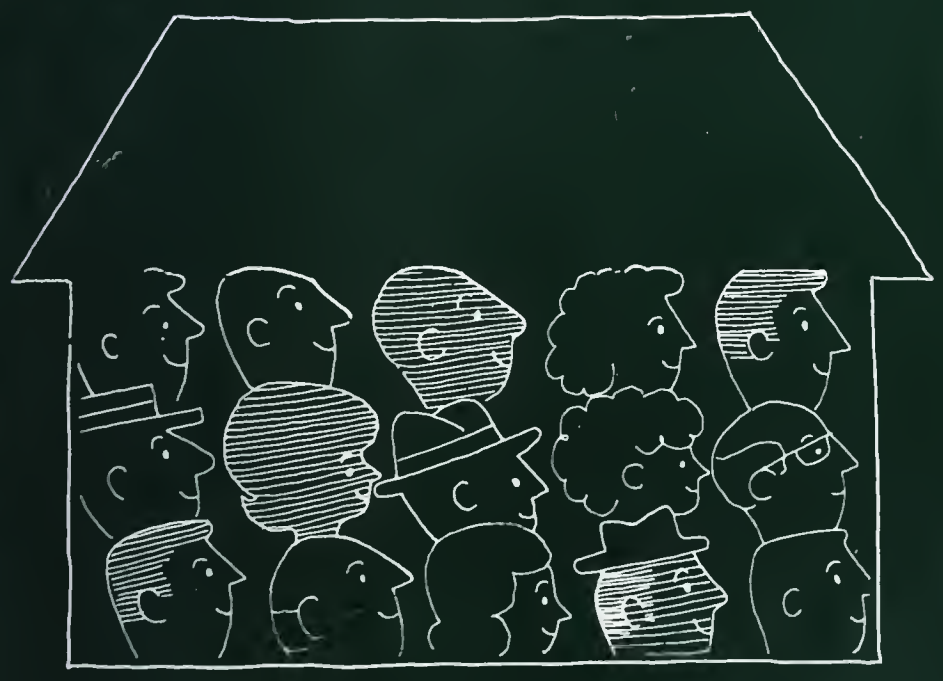

U.S. DEPARTMENT OF AGRICULTURE
ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE
COOPERATIVE INFORMATION REPORT 11

COOPERATIVE PROGRAM

U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

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COOPERATIVE INFORMATION REPORT 11
(Formerly FCS Information 67) September 1978

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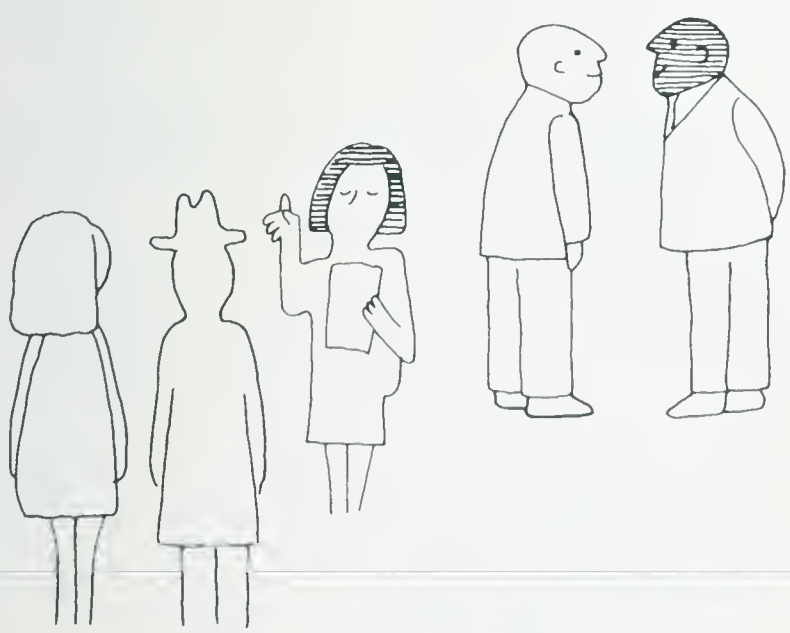
What are cooperatives?

C. H. Kirkman, Jr.

Cooperatives are voluntary business organizations formed by people.



What can cooperatives do for people?

They market what people grow or produce.

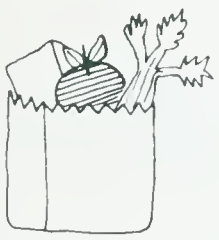
They obtain production supplies.

They provide a wide range of services.

Electric Service

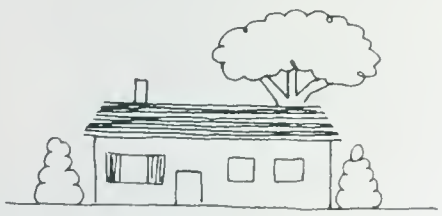
Craft Marketing Service

Health Service

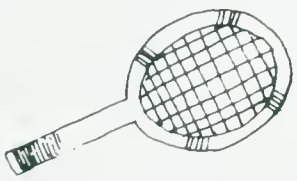


Consumer Food Purchasing

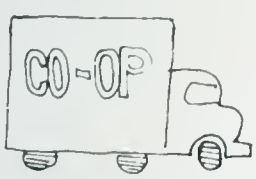
Credit Service



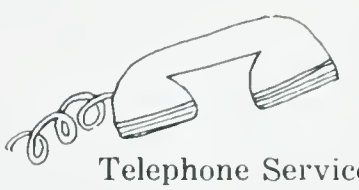
Housing Facilities



Recreation Facilities



Transportation Service

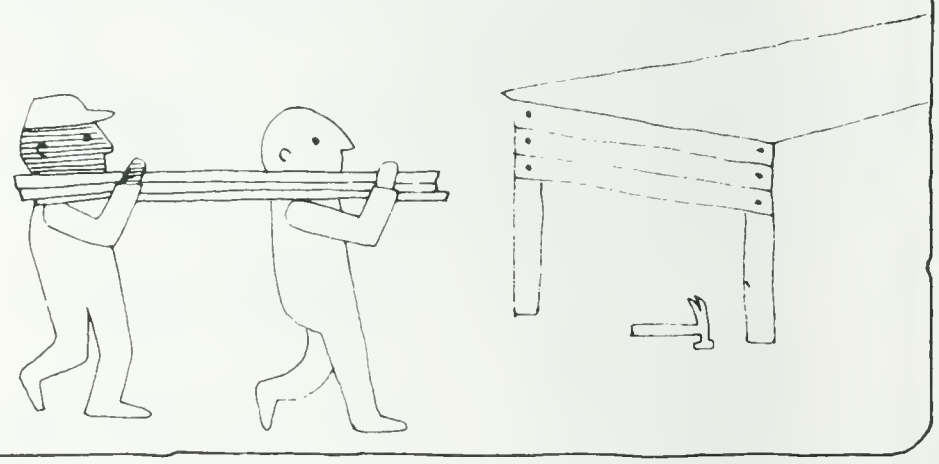


Telephone Service

Why do people start cooperatives?

Because cooperatives help people solve problems or tackle jobs too big for one man alone.

They may want to add to their income, reduce expenses, or get better services.



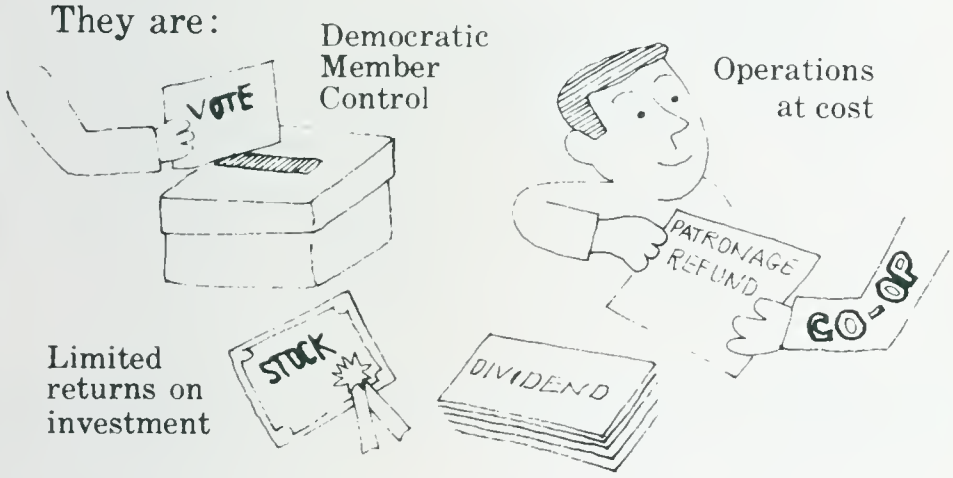
What does it take to have a successful cooperative?

Successful cooperatives bring people together who: (1) Have a common need or problem; (2) want to do something to help themselves; (3) are willing to support the cooperative by supplying capital; and, (4) patronize the cooperative by using it when organized. In addition, a successful co-op must have competent management.

Is there anything distinctive about cooperatives?

Cooperatives have three distinguishing characteristics in common.

They are:



In addition, while—

Other types of business firms exist to earn profits for the owners—

Cooperatives exist to provide services and savings for their owners, called members.

Who are cooperative members?

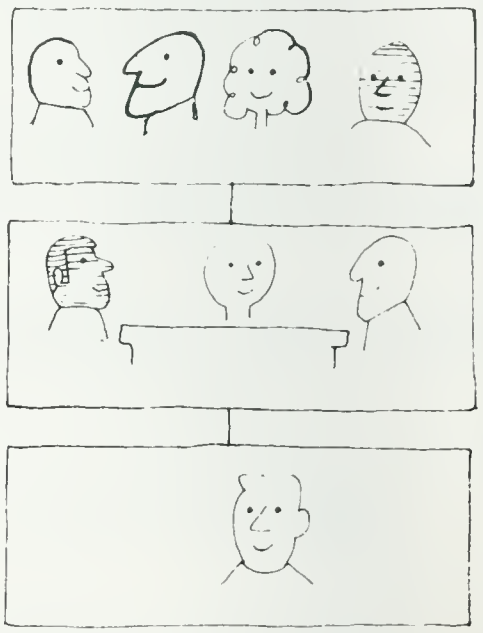
When people belong to a cooperative, they are called members.

The members own the cooperative.

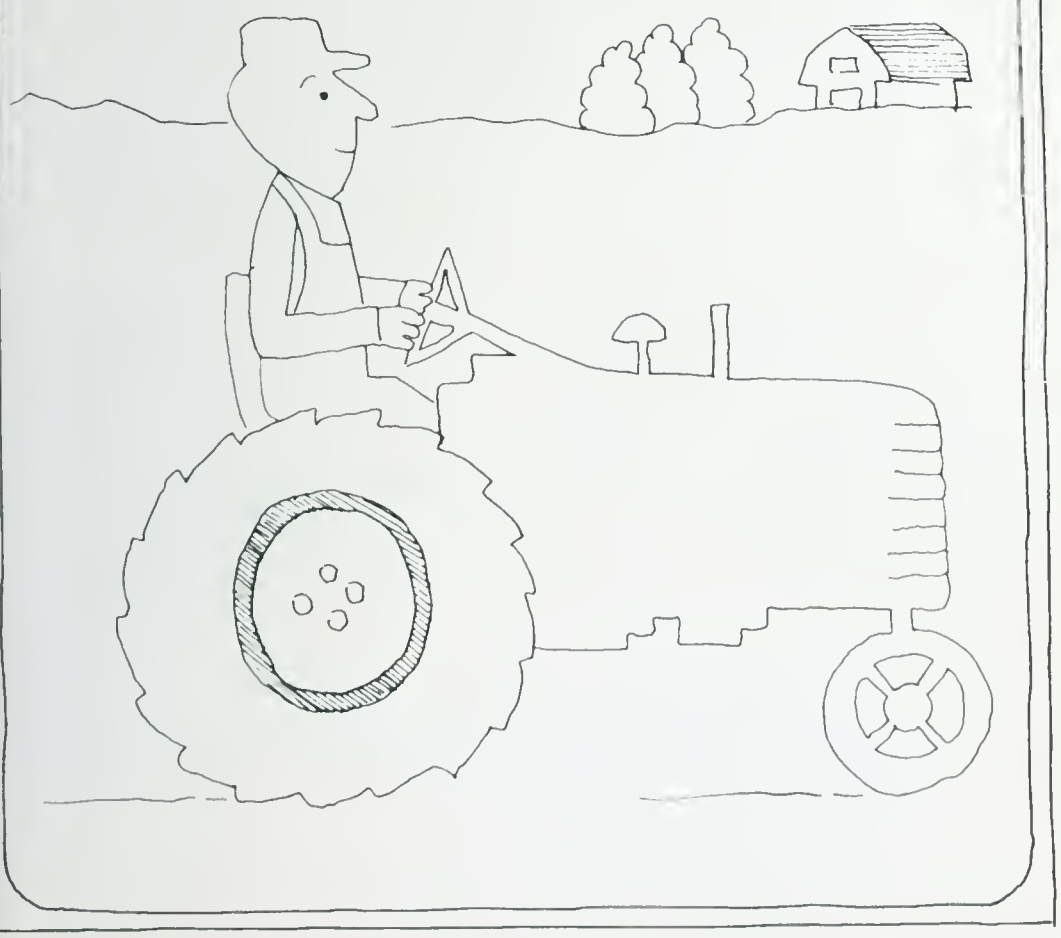
What do members do for their cooperatives?

Members finance their cooperative. If the cooperative needs more money than the members can provide, the co-op may borrow at least part of it from outside sources, such as banks.

Members control their cooperative through a board of directors, that they elect. Directors set policy and hire a manager to supervise the day-to-day cooperative operation.

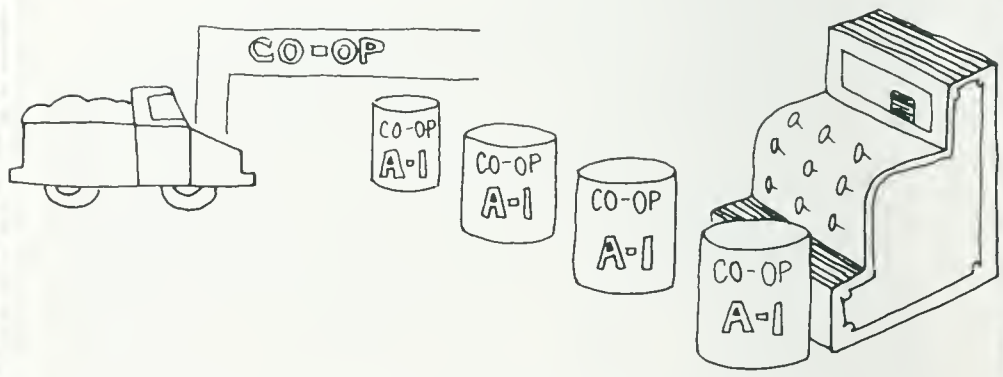


Members use (patronize) their cooperative. To the member his cooperative is a part of his equipment, just like his tractor or his telephone or his buildings and machinery.



What does the cooperative do for the members?

Cooperatives help improve the quality and reduce the cost of supplies and services members use.



Cooperatives help improve net returns to members from products they market and goods and services they provide.

To sum it up, cooperatives serve members by helping them help themselves.

OTHER PUBLICATIONS

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Members Make Co-ops Go

U.S. DEPARTMENT OF AGRICULTURE
ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE
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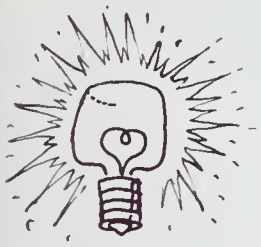
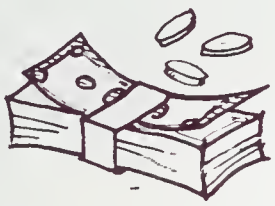
Members Make Co-ops Go

C.H. Kirkman, Jr.

A co-op is a group of people

--- with similar needs ---



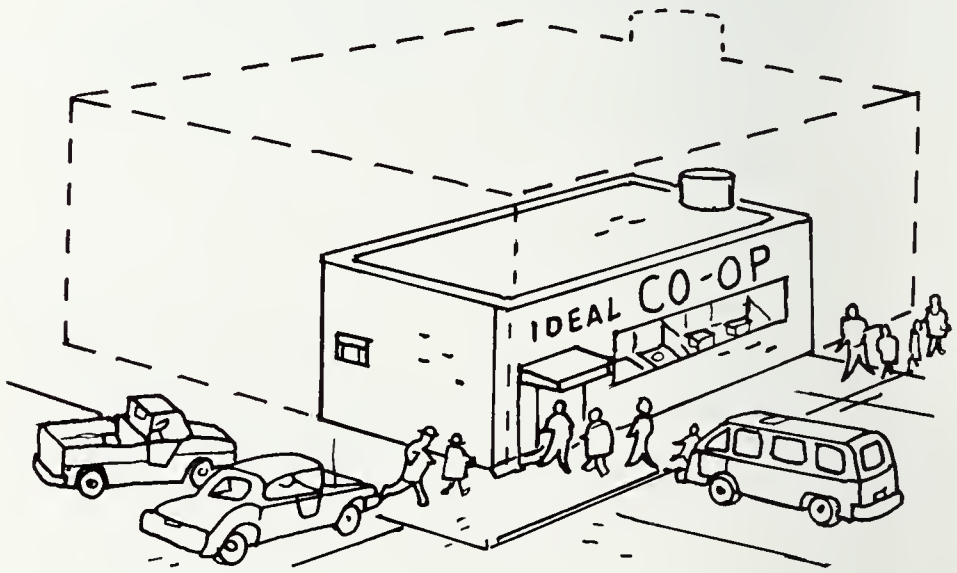


such as - power - credit - food

or selling products and buying supplies.

✓ As members they both own and use the co-op.

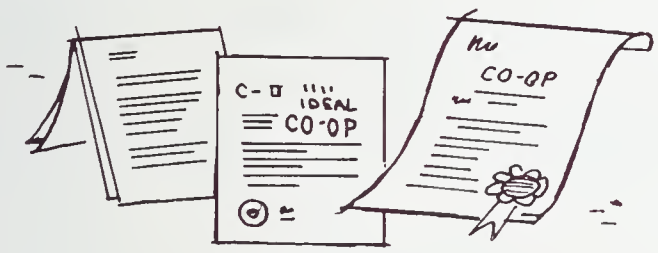
✓ If they expect help from their cooperative--
As members they must make the co-op go and grow.



They must:

- ✓ Help get the facts they need to start a co-op -- and help organize it.

- ✓ Understand the articles of incorporation, bylaws, marketing agreements, and other legal papers.



- ✓ Choose good directors.

✓ Attend all meetings for members. Encourage other members to do the same.

✓ At meetings discuss problems, opinions, and ideas. Vote, and then accept the decision of the majority.

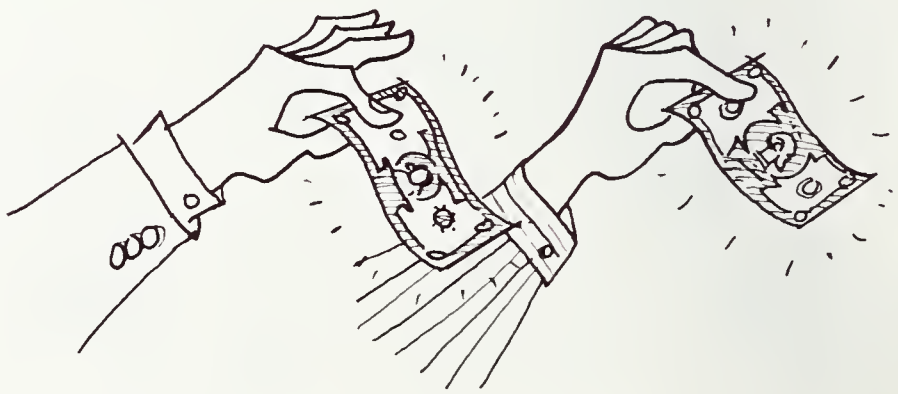
✓ Know how the co-op is working. Provide information when asked for it.

✓ Keep an open mind about new ways to make the co-op better.

✓ Use the co-op. Get others to use it.

✓ Do as much business for cash as possible. If credit is extended, pay bills promptly.

✓ With other members supply the biggest part of the money to start the co-op, and make it grow.



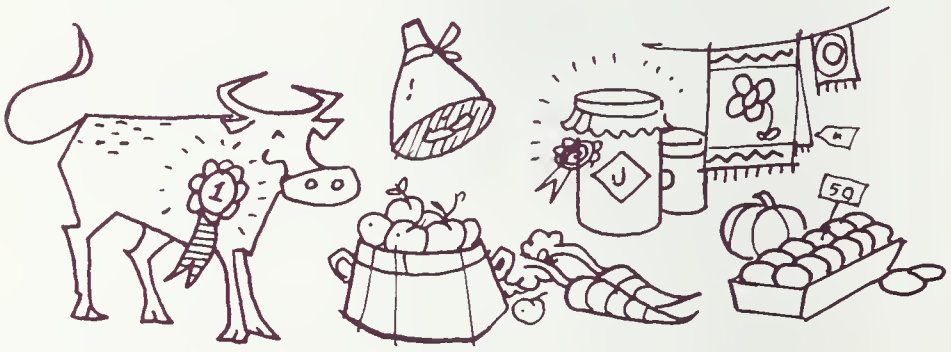
✓ Accept special jobs when asked.

✓ Realize the co-op is the members' business--not just an outside business.

✓ Defend the cooperative when people give wrong information about it.

✓ Look at member, director, or employee problems with an open mind.

✓ Take only good quality products to the co-op to be sold.



✓ Don't ask for special favors -- such as lower prices and more credit.

✓ Tell others about the co-op.

✓ The cooperative is yours! Be a proud member!

✓ Remember. To make your co-op go, you must keep going to your co-op.

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COOPERATIVE INFORMATION REPORT 13
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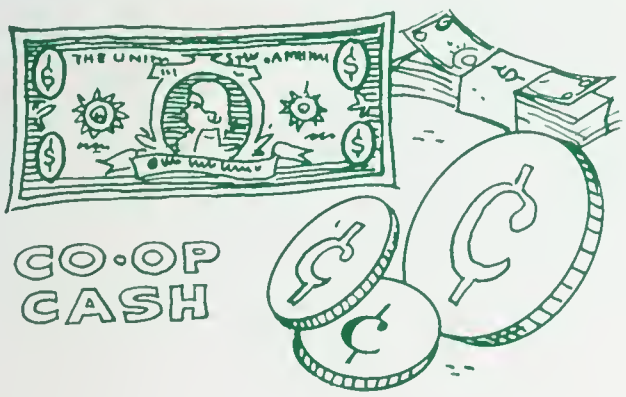
Using Co-op Members' Money

By C. H. Kirkman, Jr.

Cooperative members use and own their business.

The cooperative business needs money to get started.

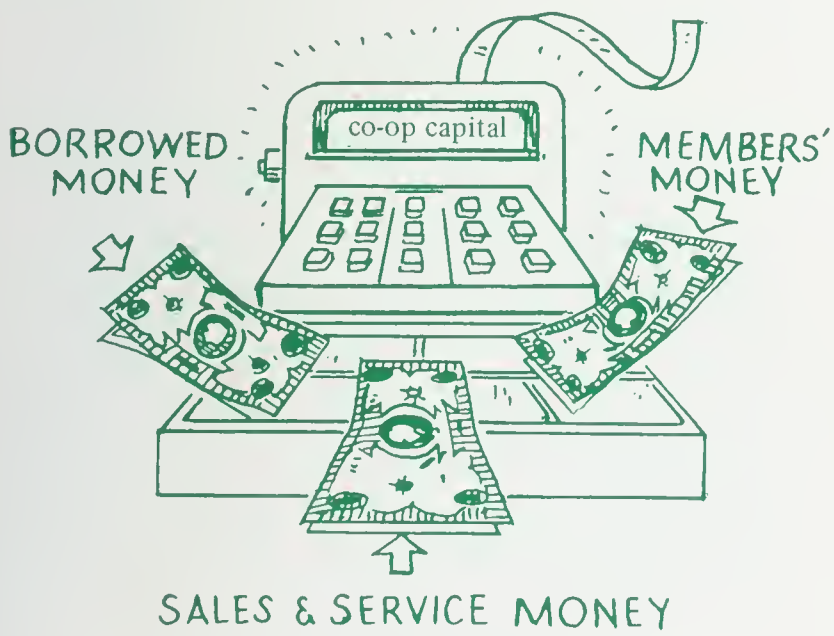


Members provide some of the money the co-op business needs to serve them.

The co-op also may get a loan from a Bank for Cooperatives, commercial banks, other lending organizations, or individuals.

Members' money and borrowed money - called "capital" - permit the co-op to begin doing business.

Money also comes into the cooperative when it sells supplies, products, or finished goods, or provides services.



Co-op capital:

- Pays for a place to do business, for equipment, utilities, insurance, taxes, and other operating expenses.

- Pays salaries for a manager and other employees.

- Provides supplies.

- Helps sell products, finished goods, merchandise, or stock.

- Pays for services such as, transporting, grading, or processing the products or supplies.

Capital should be used many times a year. Think of the business as a wheel. The wheel needs to keep turning, so the co-op capital is used over and over in buying, selling, servicing, and collecting.

If the capital is used wisely, it can provide bigger benefits as the business wheel turns faster.
For example:

Let's imagine a supply co-op that sells $100,000 worth of supplies a year to its members. The amount of sales over operating expenses—called net margins—is $5,000. This co-op has a net margin of 5 percent.

Suppose the total co-op capital used is $50,000. Because sales are $100,000, the $50,000 is used 2 times during the year. The return on co-op capital used is 2 multiplied by 5 percent, or 10 percent.

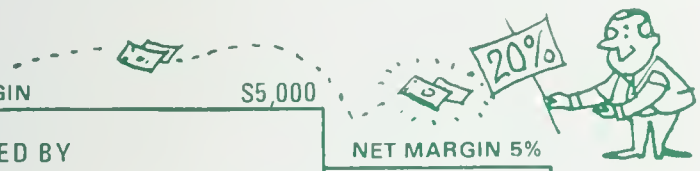
NET MARGIN $5,000
DIVIDED BY
SALES $100,000
NET MARGIN 5%

SALES $100,000
DIVIDED BY
TOTAL CO-OP CAPITAL USED $50,000
USED 2 TIMES

MULTIPLIED BY

RETURN ON CO-OP CAPITAL 10%

Now, suppose the same co-op used only $25,000 in capital to get $100,000 in sales. This means the capital was used 4 times during the year. The return on the capital—4 multiplied by 5 percent—increases to 20 percent.



NET MARGIN $5,000
DIVIDED BY
SALES $100,000
NET MARGIN 5%

SALES $100,000
DIVIDED BY
TOTAL CO-OP CAPITAL USED $25,000
USED 4 TIMES

MULTIPLIED BY

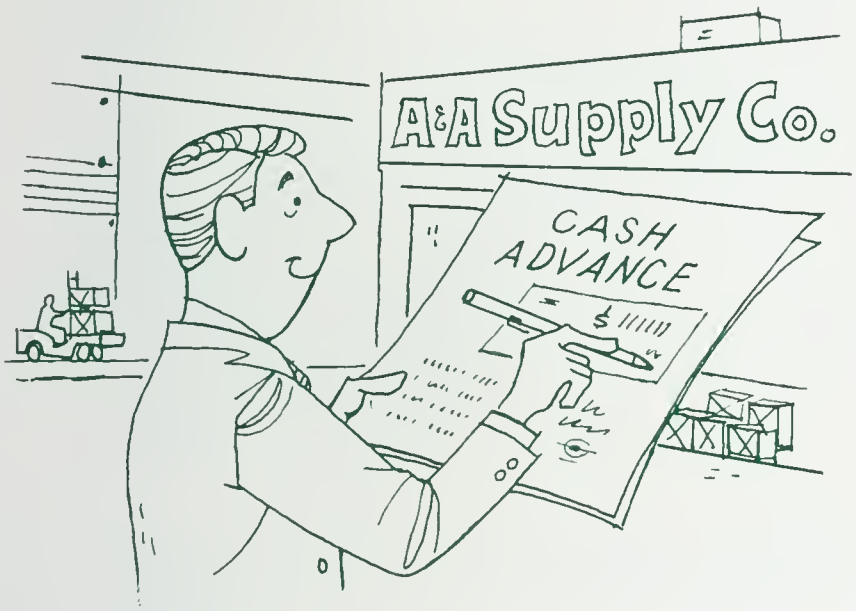
RETURN ON CO-OP CAPITAL 20%

Co-op capital can be used more times during the year by:

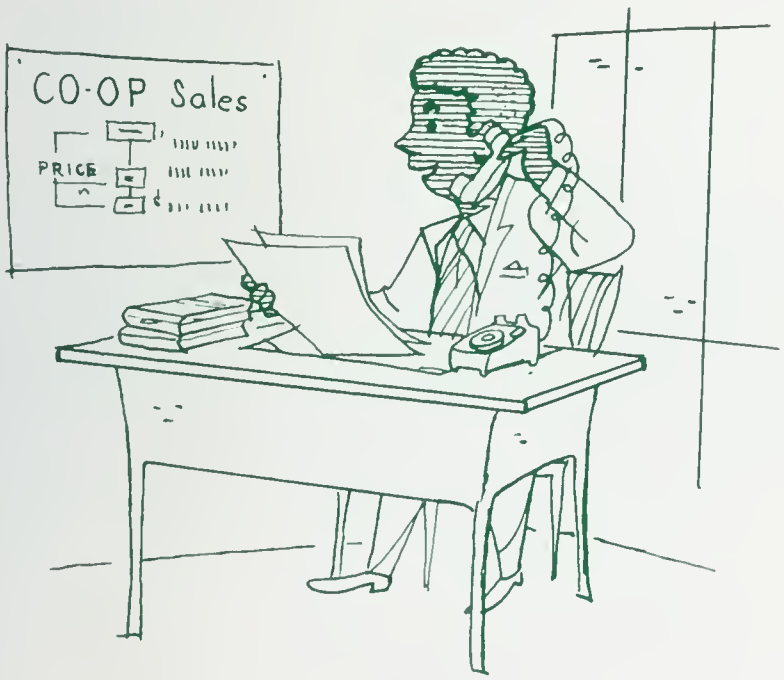
- Selling for cash.

- Collecting accounts promptly in cases where co-op policy lets members charge what they buy.

- Asking for cash advance from buyers on products sold for members, and cash deposit from members for special order supplies.



- Bargaining to get the best supplies and services at the lowest price for members



- Using cash discounts on supplies purchased for members.

- Holding special sales to get slow moving items out of inventory. Avoiding reordering or producing slow moving items.

- Re-examining credit policy and cash discounts when payments are slow.

As co-op capital grows through good money management, the co-op:

- Repays its loan.

- Pays interest or dividends on members' money invested in the co-op.

- Pays net margins to members on the basis of their use of the cooperative. These payments are patronage refunds.

Summing up –

Members' money and borrowed money used in the co-op help it give better service. The more efficiently this capital is used, the more likely the co-op will improve services and members' income.

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What Co-op Directors Do

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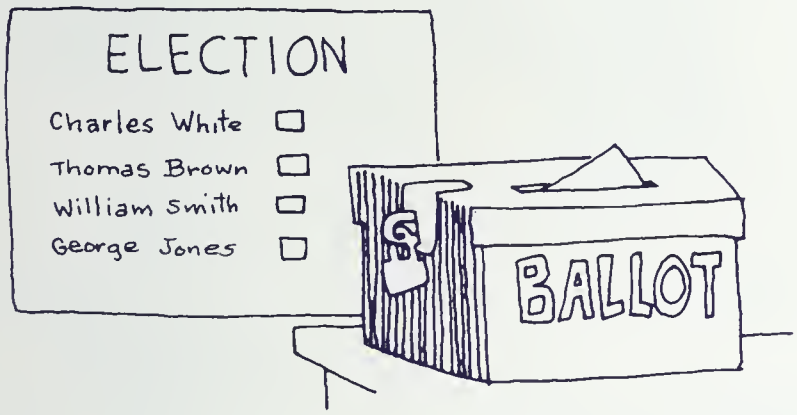
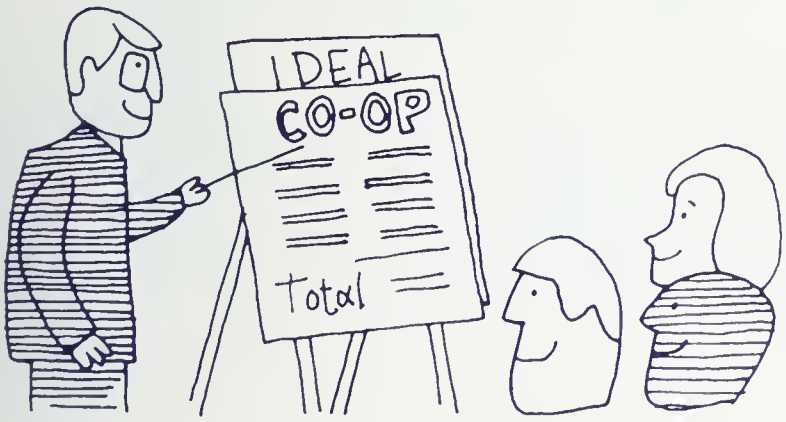
What Co-op Directors Do

by C. H. Kirkman, Jr.

The first duty of the members after a new cooperative is organized is to elect a board of directors. From then on, members elect directors at the regular annual meeting.



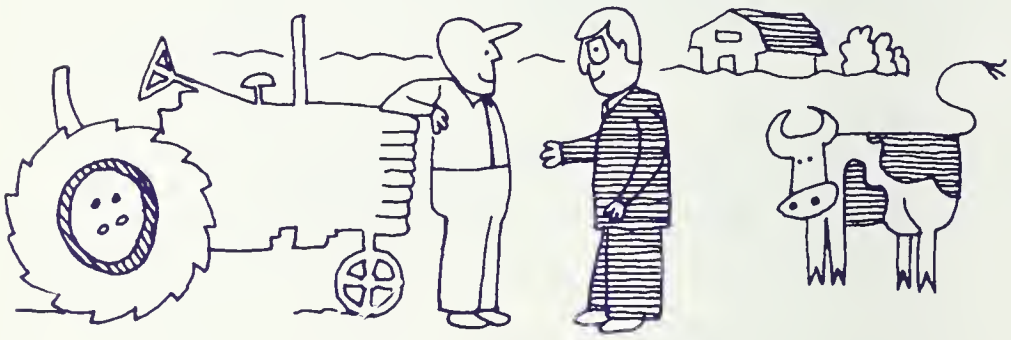
Directors govern the co-op. They decide how the resources and services of the cooperative are to be used for the benefit of members.



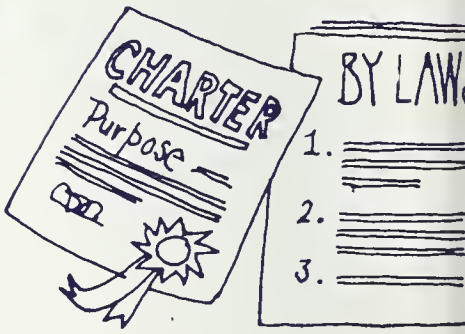
Directors must be honest and fair in what they do for the cooperative. They are legally liable if they neglect their duties. Directors should:

- Attend all board meetings. They share responsibility for board decisions, even if they are not present at meetings.

- Represent all members. Talk with members to learn their needs.



- Understand the cooperative articles of incorporation (charter) and bylaws. Make sure that the cooperative conducts business accordingly.

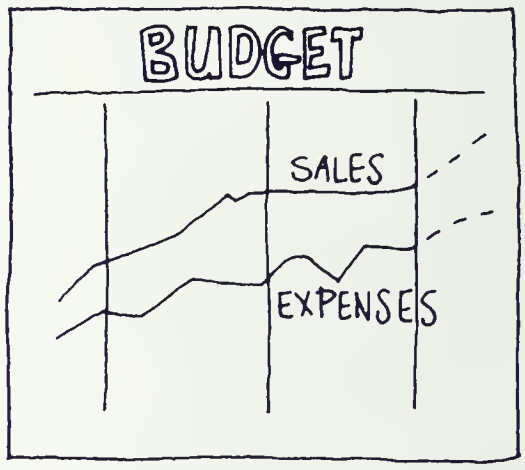


- Employ a competent manager. Set his salary, outline his duties, and give him authority to try out his ideas.

- Set up sound policies and goals to guide the manager, and see that these are followed. Remember that the board of directors should not try to run the co-op on a day-to-day basis.

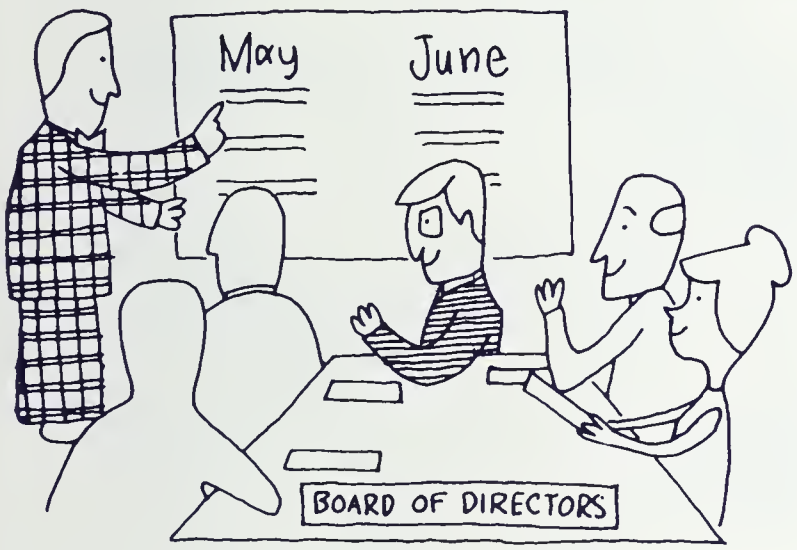
- Review progress of the cooperative regularly. With the manager, develop plans for both the short run and the longer run.

- See that the manager prepares the operating budget before the next fiscal year begins. He should include estimates of: Volume of sales, expenses, and the gross and net expected.



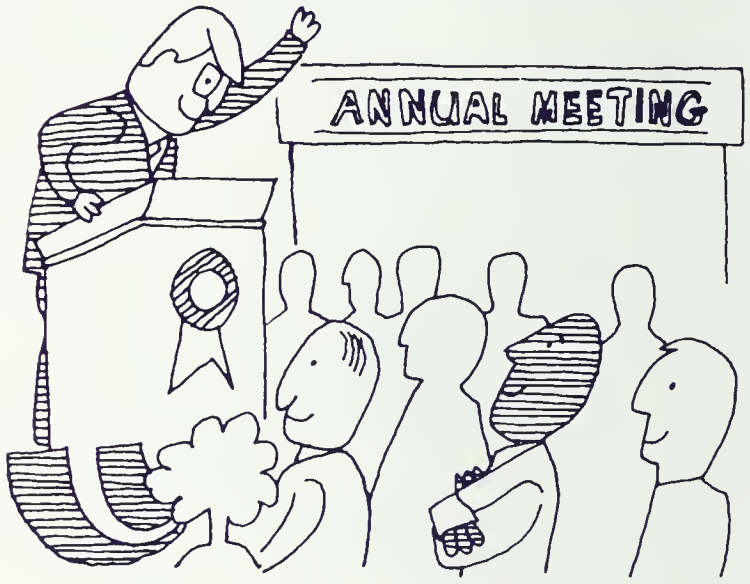
- Understand financial statements. Approve important financial matters. Remember, directors can be held financially responsible for negligence.

- Require monthly financial reports and operating statements.



- Employ qualified auditor to audit the books at least once a year and report his findings directly to board.

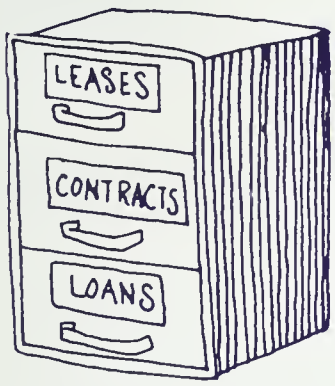
- Work with the manager on annual meeting plans. The manager reports to the membership on operating results for the year at such meetings.



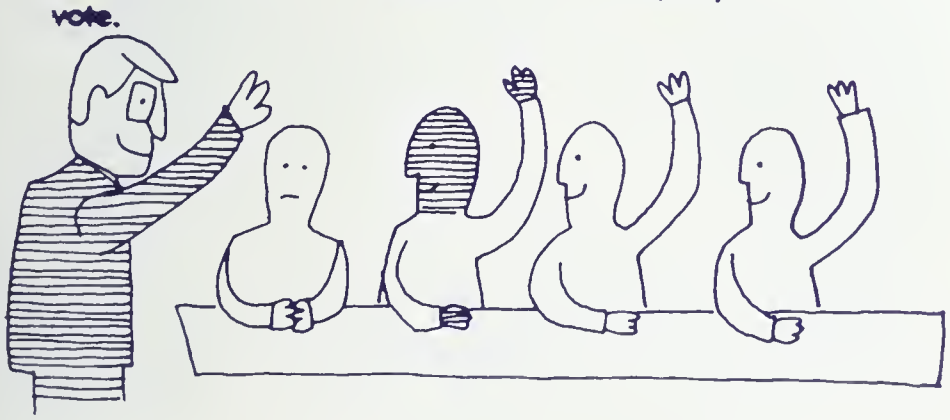
- Review insurance annually to see if the co-op has enough. Check fidelity bond on manager and key employees.

- Hire a local attorney for legal advice about cooperatives.

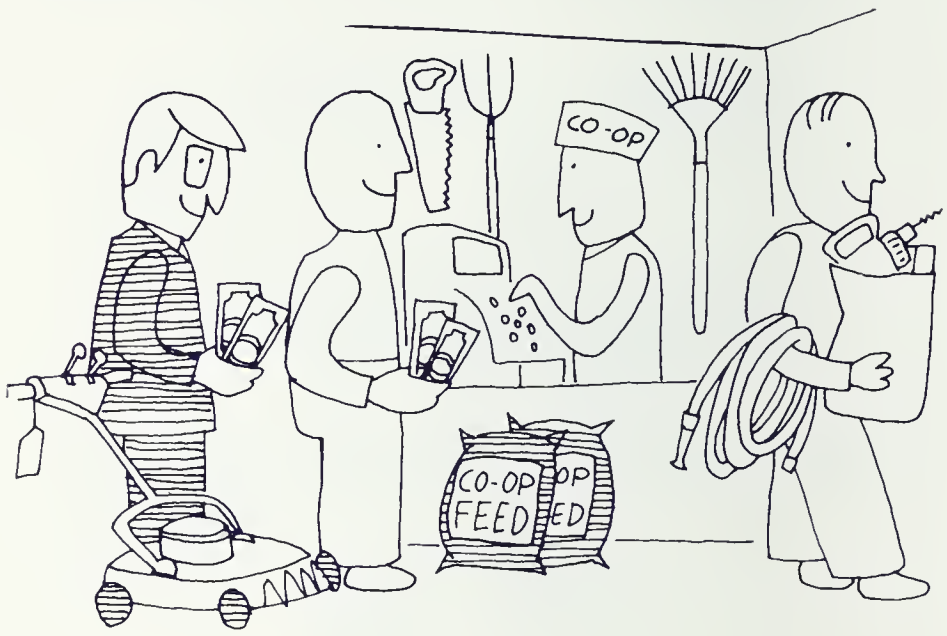
- Understand all agreements—leases, loan agreements, supply and marketing contracts, and others.



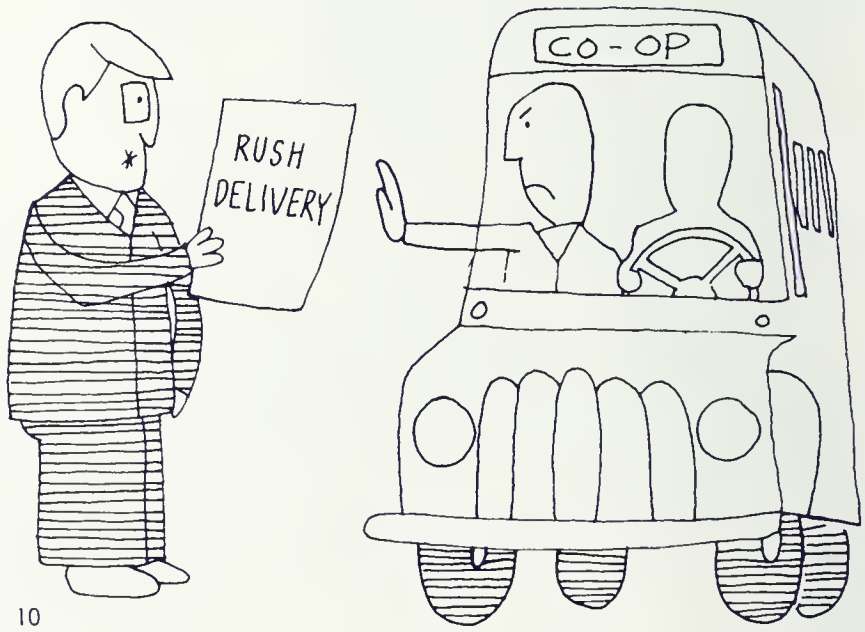
- Accept and support decisions of the majority board vote.



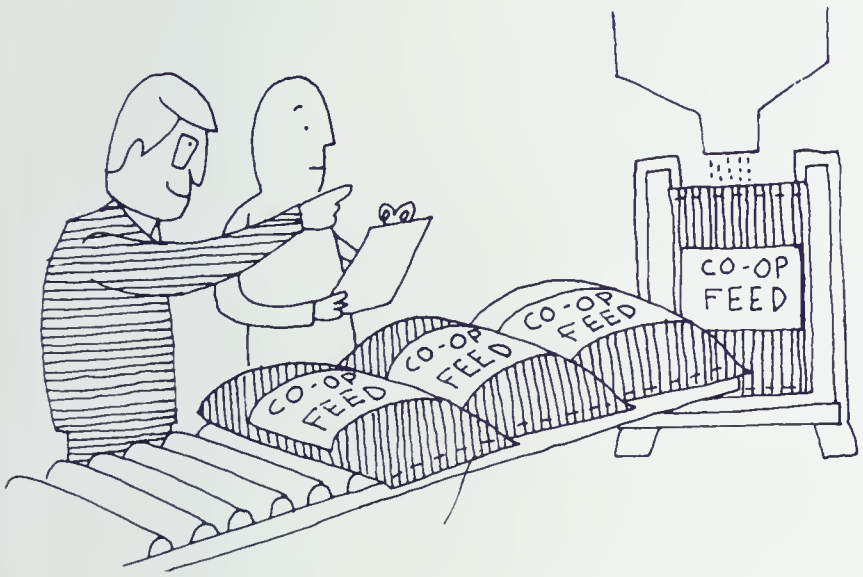
- Realize that directors have to follow the same rules as members.



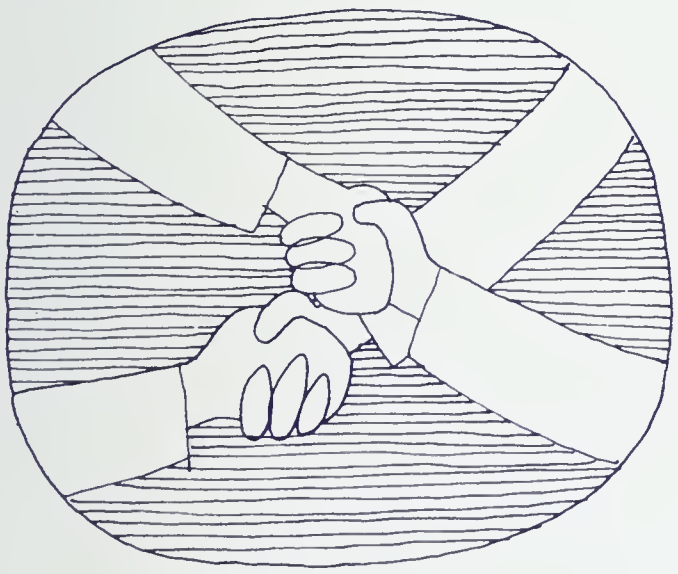
- Place affairs of the association above personal business. Avoid asking for special favors.



- Continue to study all parts of the cooperative operation for ways to make it better.



- Keep the cooperative members working together for co-op success.



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Measuring Co-op Directors

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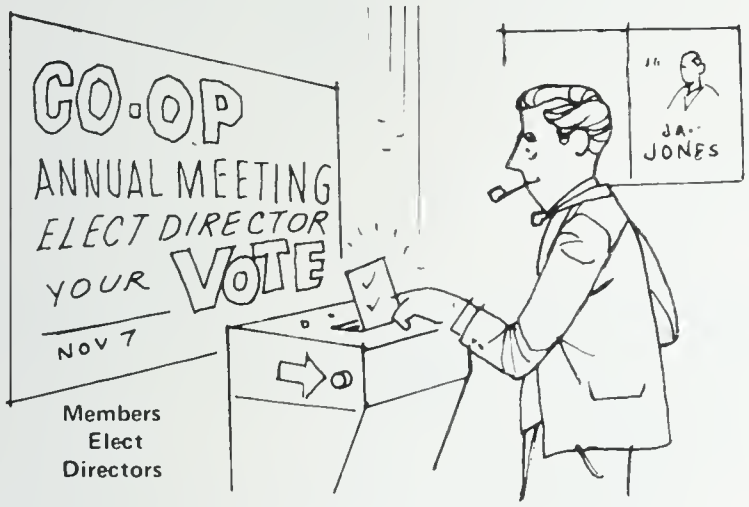
COOPERATIVE INFORMATION REPORT 15
(Formerly FCS Information 73) September 1978

MEASURING CO-OP DIRECTORS

C.H. Kirkman, Jr.

Cooperatives have many owners. They are called members. They choose a few (7 to 9) of the best members to guide the co-op. These are called directors. Any member may become a director. Members elect directors at the meeting they hold each year to talk about the co-op's business. This is called the annual meeting.

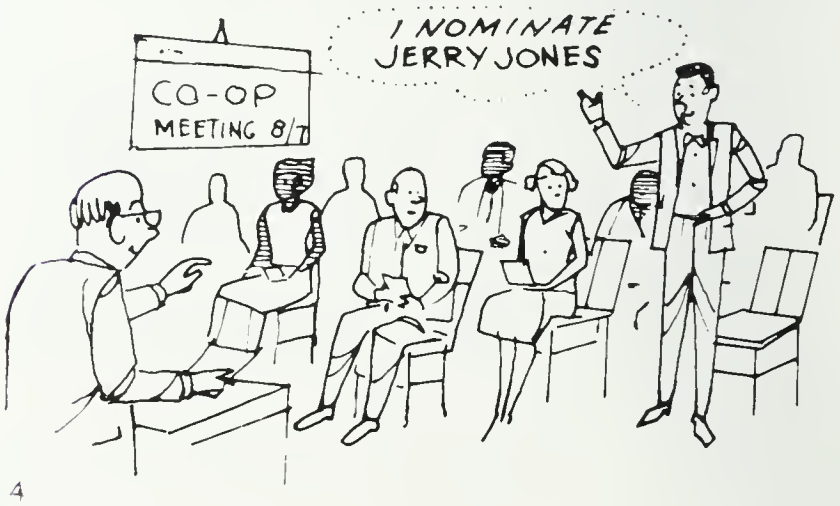


Members Elect Directors

DIRECTORS

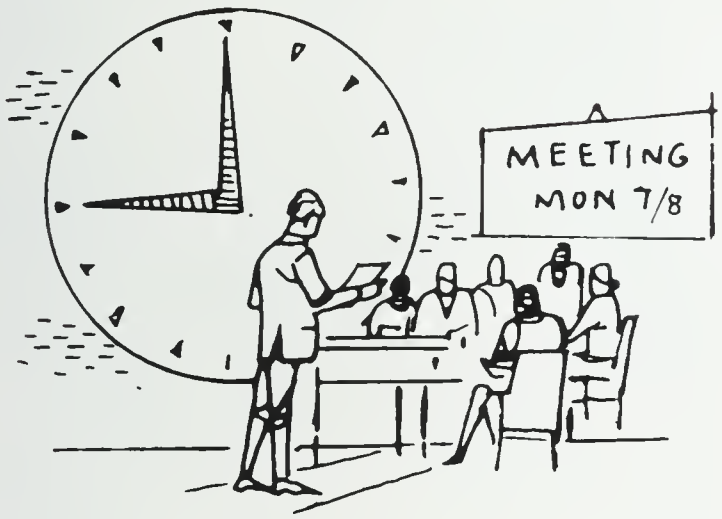
At many cooperatives, the president of the board of directors chooses a few members as a nominating committee about a month before the annual meeting. This committee then nominates members they think would make good directors for the coming year.

All members at the annual meeting vote on the names put before them. If a member does not think those nominated will be good directors, he can make more nominations before voting starts.



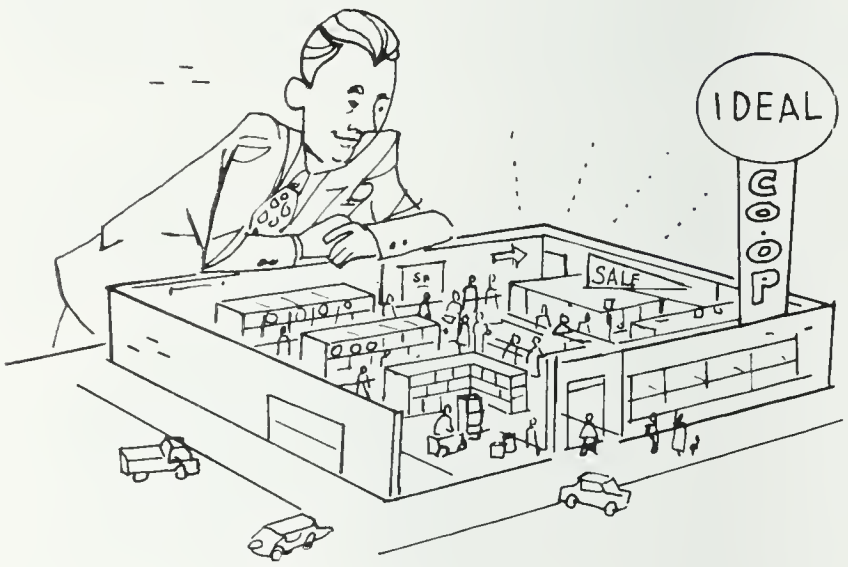
What makes good directors?

A good director is a member willing to take the time to be on the board.



A good director listens to members

A good director must watch the co-op, but not bother the daily operations.

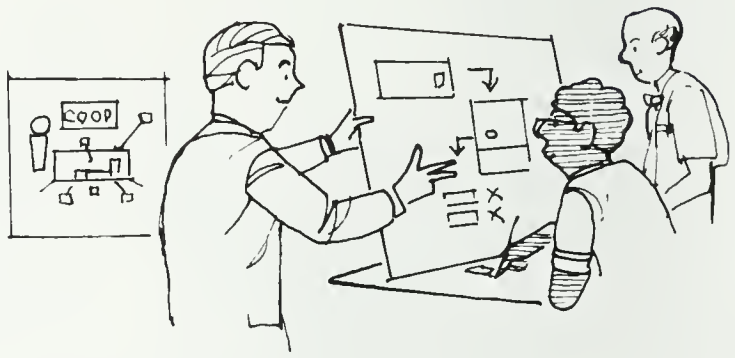


A good director needs to be a good businessman in his own affairs.

A good director can be trusted.

A good director takes part in the church, school, or community.

A good director voices opinions honestly and has good judgment.

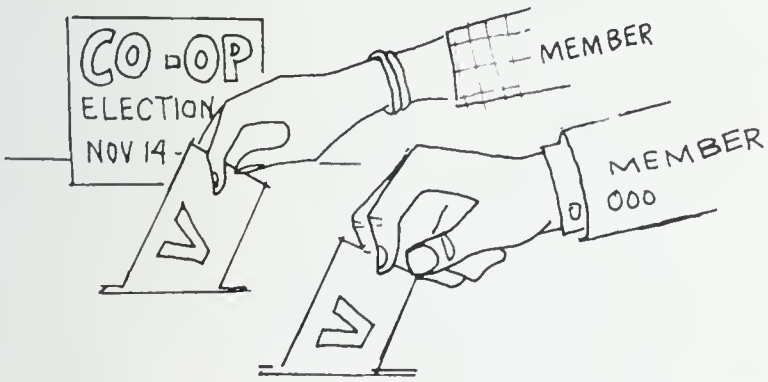


A good director is alert and willing to adopt new ideas that will work.

A good director recognizes and assumes legal responsibility for his actions as a board member.

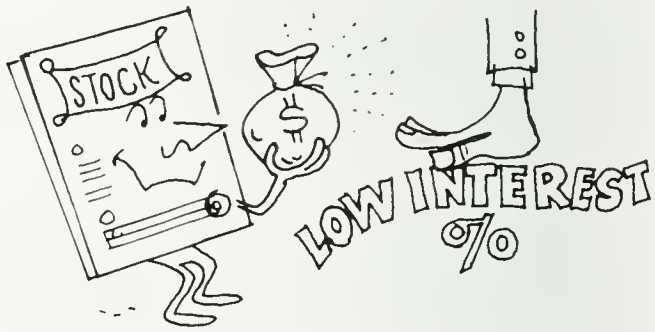
A good director knows that cooperatives are like other business firms except for three things —

1. Members control the cooperative with their votes. This is called democratic member control.



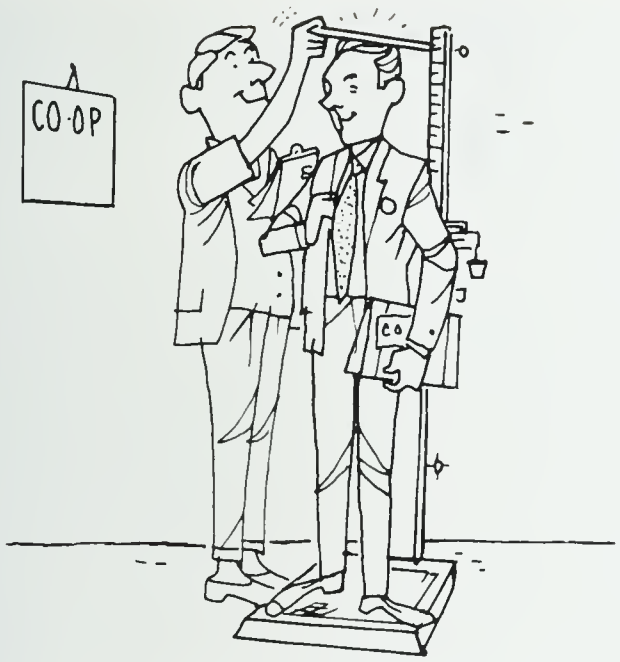
2. The cooperative does not keep a profit, but gives the money back to the member as patronage refunds. Thus, the cooperative operates at cost.

3. The cooperative pays a limited rate of interest on money provided by members for the co-operative to use. This is called limited returns on investment.



A good director does all possible business with the co-op.

But, to really measure up



A good director learns and studies ways to be a better director.

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Manager Holds Important Key To Co-op Success

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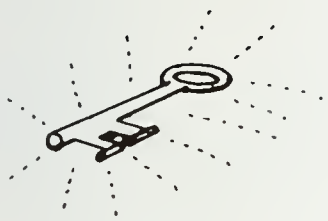
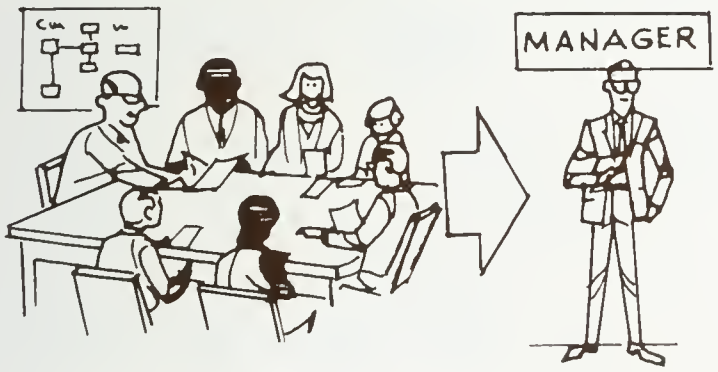


MANAGER HOLDS IMPORTANT KEY TO CO-OP SUCCESS

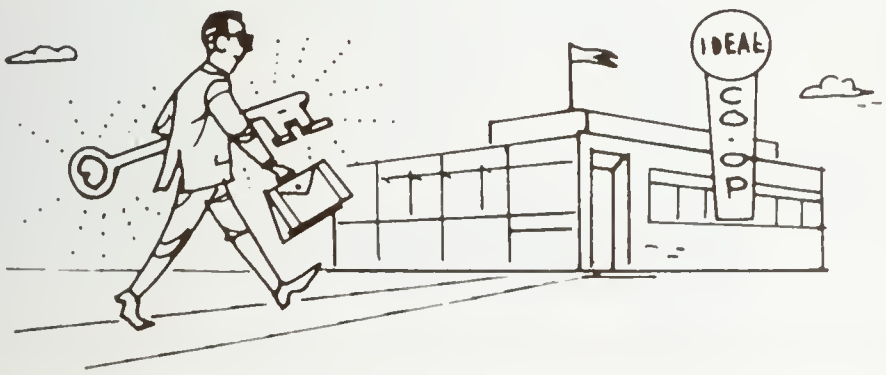
C.H. Kirkman, Jr.

Most cooperatives need a manager who can work at the job full time.

The board of directors hires the manager.



Strong managers make strong co-ops. Weak managers make weak co-ops.



What makes a manager strong?

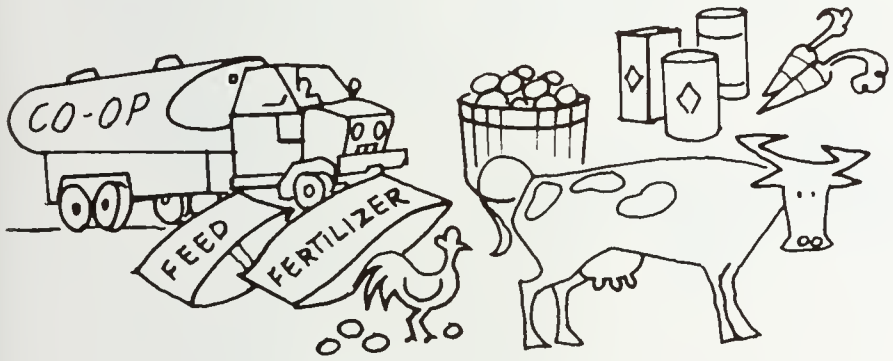
A strong manager must:

- Work well with people.

- Be a good business man.

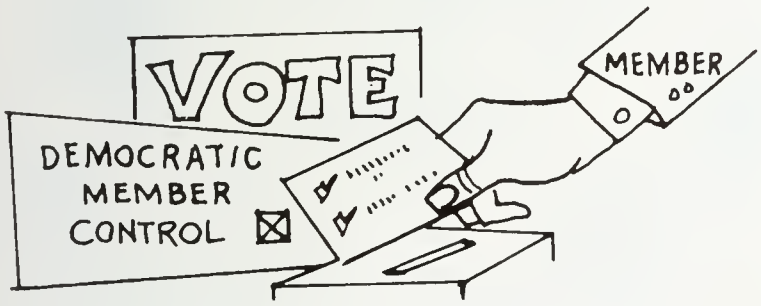
- Be able to run the business.

✸ Know the goods and services the cooperative gets for members.
Know the goods and services the cooperative sells for members.

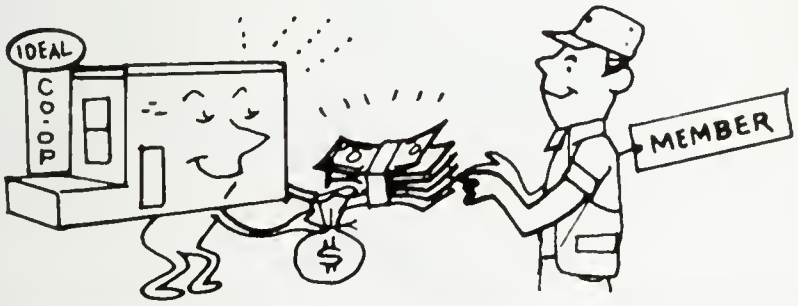


Also, managers must understand that cooperatives are like other business firms except for three things —

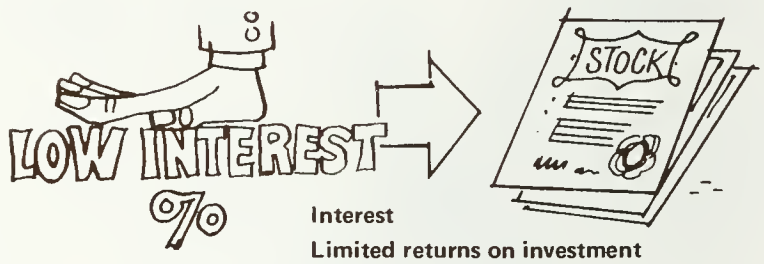
1. Members control the cooperative with their votes. This is called democratic member control.



2. The cooperative does not have a profit, but gives the money back to the member as patronage refunds. Thus, the cooperative operates at cost.



3. The cooperative pays a limited rate of interest on money provided by members for the cooperative to use. This is called limited returns on investment.



Interest
Limited returns on investment

And finally the cooperative manager must be able to:

✱Make members like and trust him.

✱Work hard.

✱ Do a good job.

✱ Be honest.

✱ Make sound decisions.

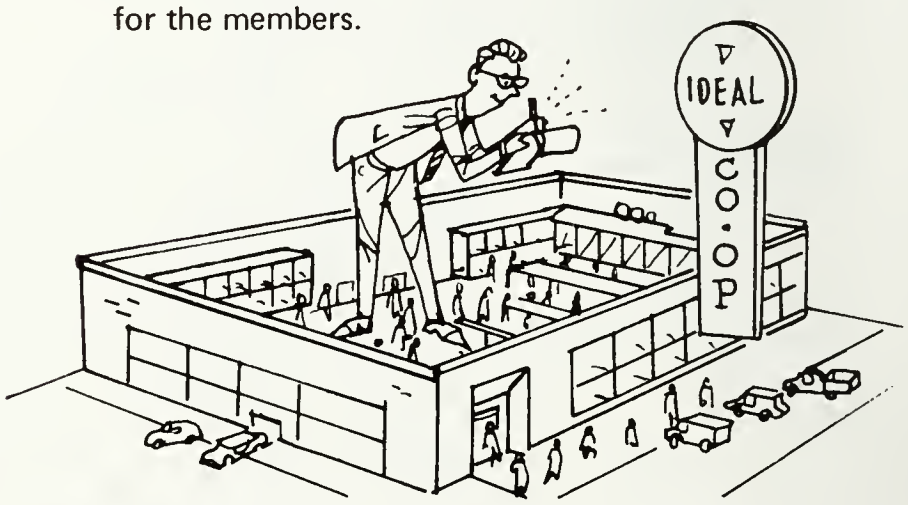
✱ Look for better ways to serve members.

- Be able to handle the business affairs and direct employees.

Every manager must:

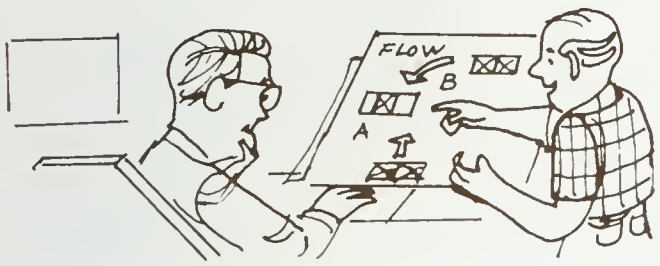
- Carry out plans of the board of directors.

- Study the co-op at all times to make it work better for the members.



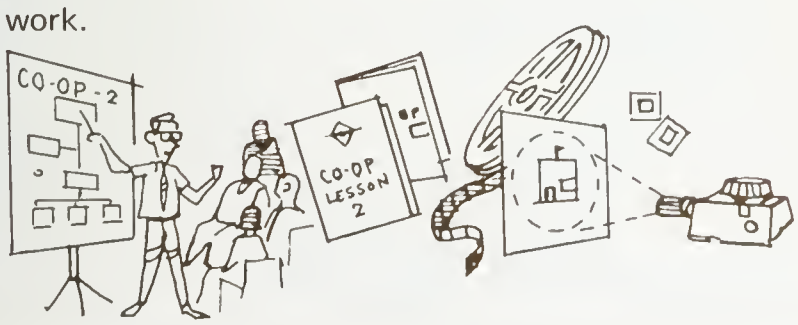
✱Run the day-to-day work.

✱Use common sense. Get advice when he needs it.



✱Hire honest, good help, who are fitted to do the work.

✱Continuously train new and old help for better work.

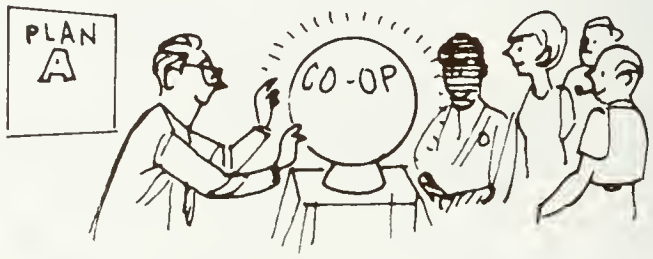


- Keep trying to make himself a better manager.

- Let directors know how the business is going. Tell them what the co-op needs and suggest ways to make the co-op better at the regular board meeting.

- Get up reports for the board of directors meetings and for the annual meeting.

- Plan ahead and think ahead of time what the members need.



- Remember the members own the cooperative, not the manager.

- Realize that special favors for employees, directors, or members will harm the co-op. Must not look for special benefits for himself.

- Take part in community affairs.

- It takes everybody — manager, board, and members — to make the co-op a success. If each person carries his share of the load, the co-op will grow.

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EMPLOYEES HELP CO-OPS SERVE

C. H. Kirkman, Jr.

Cooperatives need employees to help serve their members.

Management hires each employee for a specific job.

Each employee helps the cooperative serve members regardless of job—salesman, secretary, telephone operator, truck driver, accountant, inventory controller, or machine operator.

Employees build the cooperative's image as they serve members and the community by:

- Realizing the employees represent the cooperative in the eyes of members and the community.

- Dealing with members honestly.

- Learning and following the cooperative policies the board of directors sets and the employee policies the manager sets.

- Listening to and following the manager's instructions.

- Working as a team to make the cooperative serve and grow.

- Giving fellow employees credit for their ideas and help.

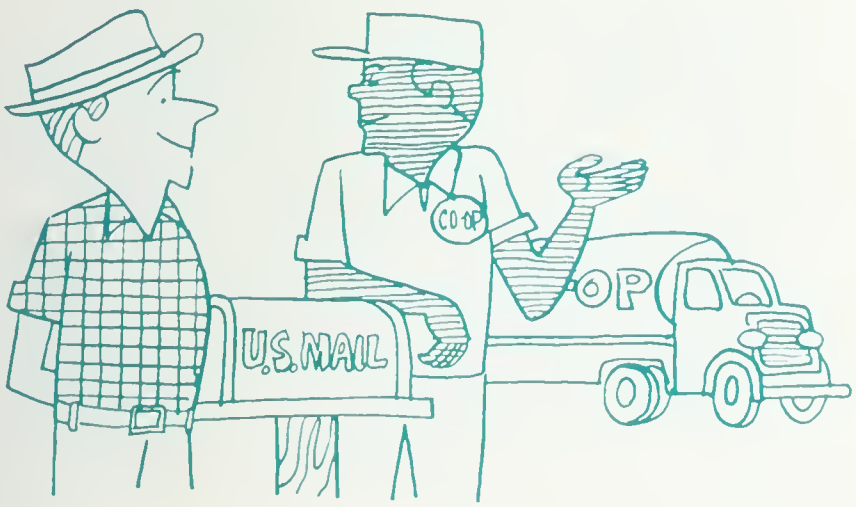
- Keeping premises and inventory neat and clean.

- Making sure equipment and service tools operate well.

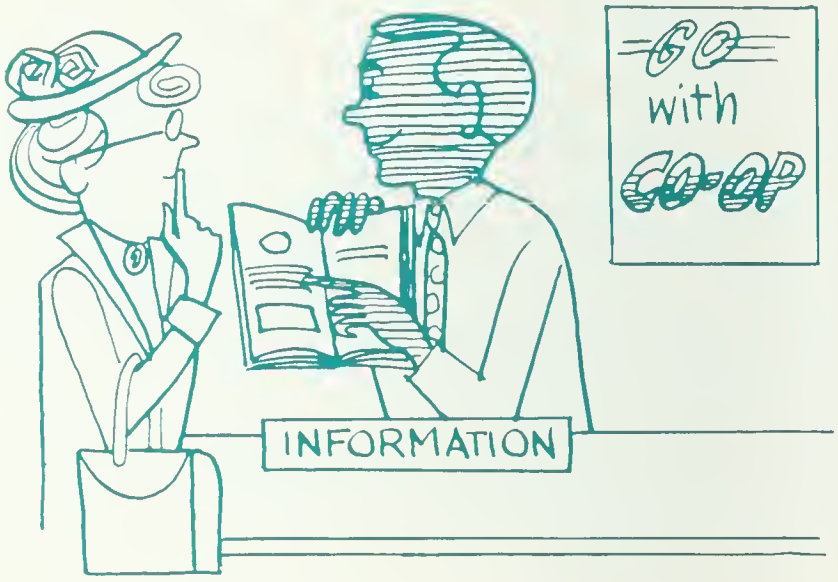
- Serving members pleasantly, promptly, and in the order promised.

- Taking an extra step to give members satisfactory service.

- Getting and giving members correct and clear information.



- Supporting the cooperative by giving correct facts when people repeat incorrect information about it.

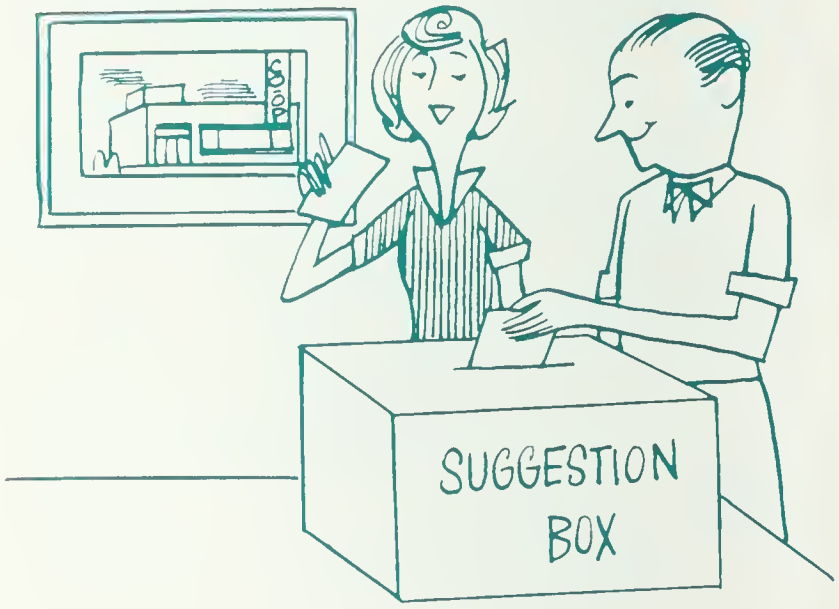


- Handling complaints locally whenever possible.

- Using language members understand to get them to buy and sell at the cooperative.

- Giving manager adequate and correct comments from members.

- Suggesting to management better ways to serve members.

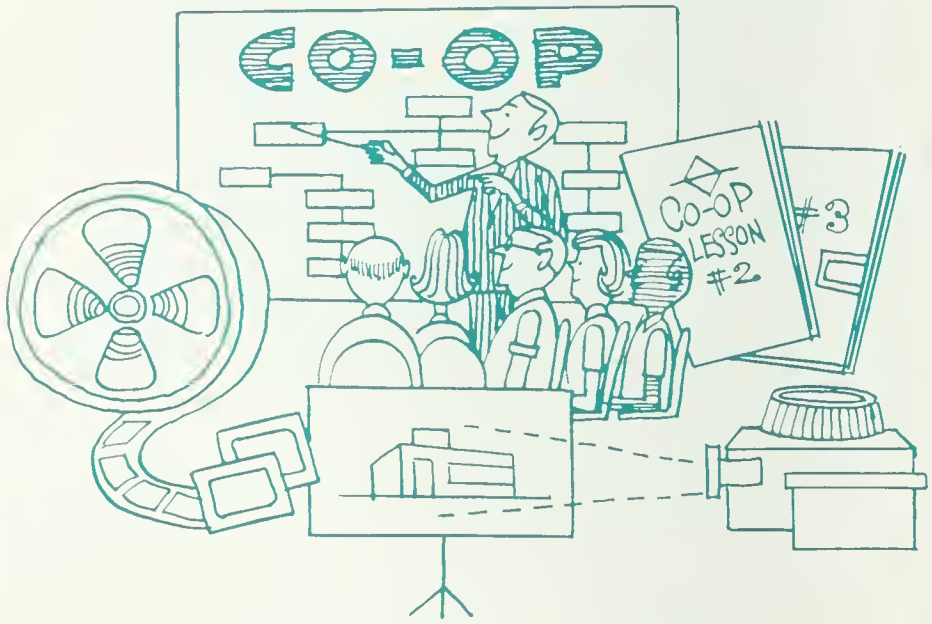


- Understanding why special favors—such as lower prices or more credit—for employees, directors, or members harm the co-op and the person asking for them.

- Being proud to work for a cooperative.

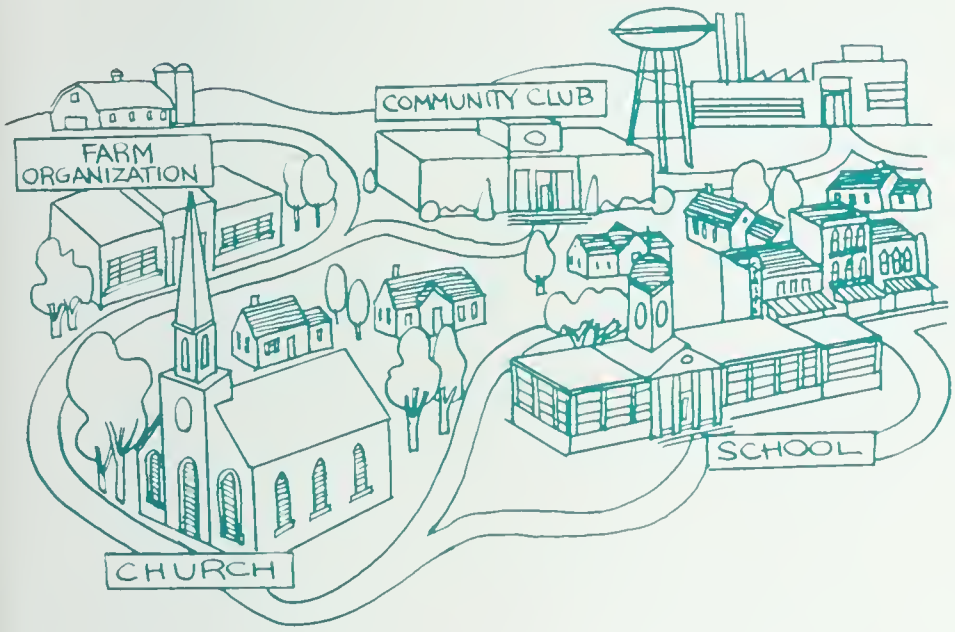
- Applying reason and common sense when serving members.

- Attending training classes to gain understanding of cooperative philosophy and widen knowledge of products or services.



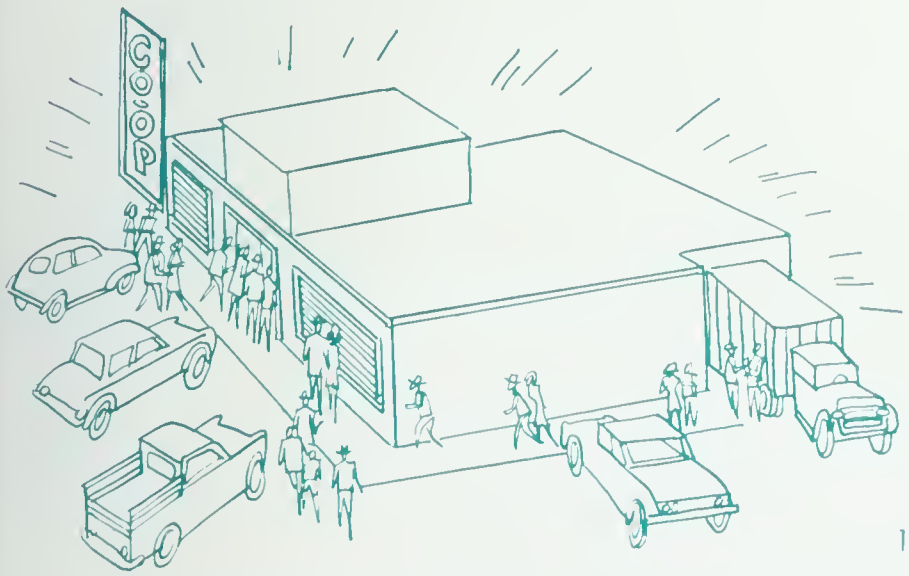
- Realizing members own the cooperative, not employees or management.

- Being a community booster by taking part in church, school, or community affairs.



Remember:

Employees reflect the image of the cooperative to its members and general public.



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OTHER PUBLICATIONS

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Is There a Co-op in Your Future? CIR 10

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Manager Holds Important Key to Co-op Success CIR 16 (Also in Spanish)

Guidelines Co-op Employees Need CIR 18

Bookkeeping Forms Your Co-op Needs CIR 19

Guides to Co-op Bookkeeping CIR 20

To obtain copies, write Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Washington, D.C. 20250

Guidelines Co-op Employees Need

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COOPERATIVE INFORMATION REPORT 18

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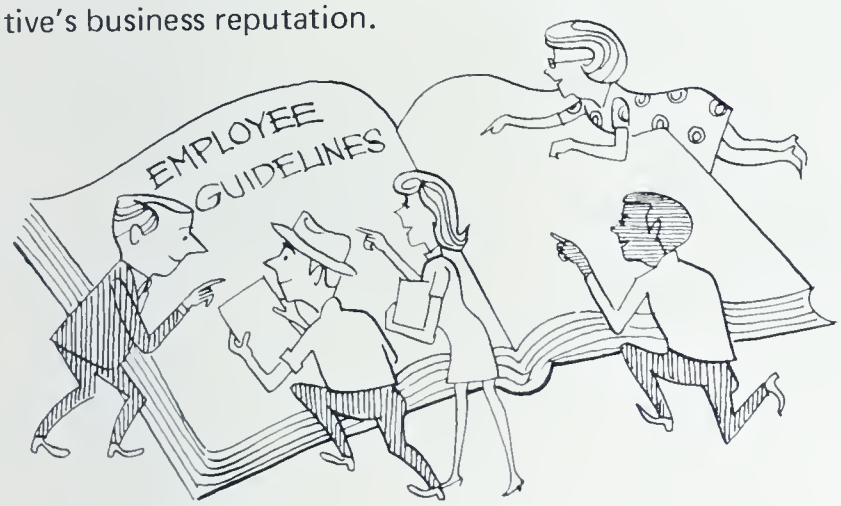
This publication is one of a series designed to provide basic cooperative information.

COOPERATIVE INFORMATION REPORT 18
(Formerly FCS Information 93)
September 1978

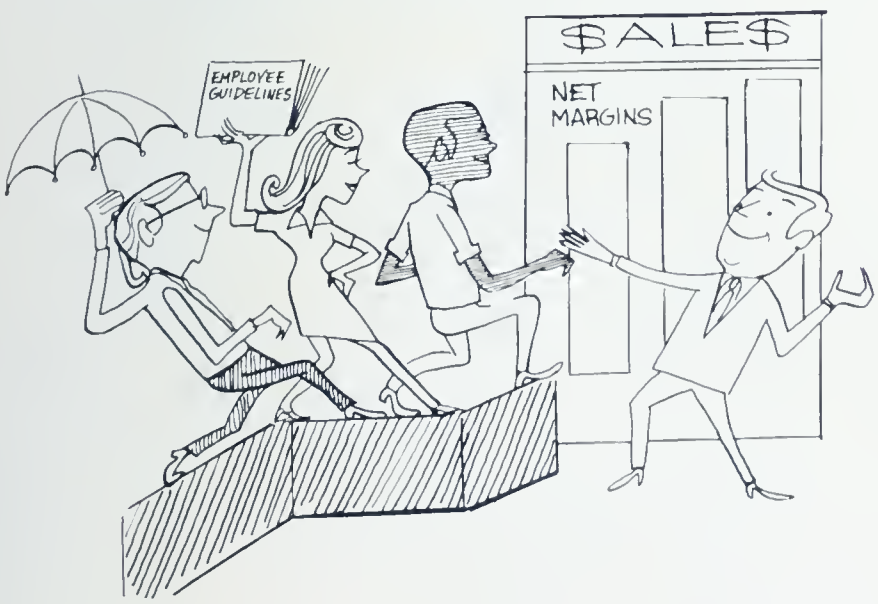
GUIDELINES CO-OP EMPLOYEES NEED

C. H. Kirkman, Jr.

Written employee guidelines help employees understand what the cooperative expects from them and what they can expect from the cooperative. The likely result will be an employee-management relationship that will favorably impress members and strengthen the cooperative's business reputation.



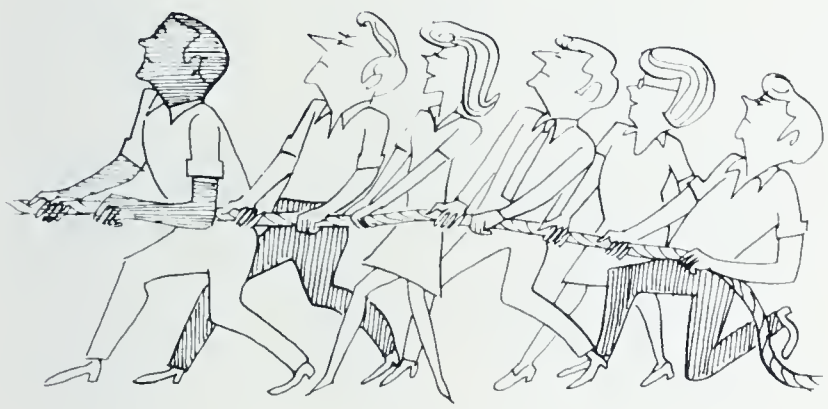
Employee guidelines can contribute to better operating efficiency, more sales, and bigger net margins.



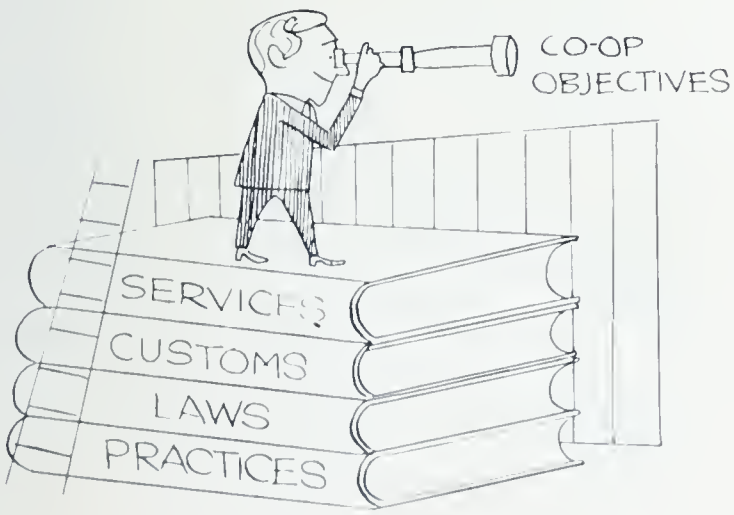
The cooperative's management team—the board of directors, the manager, and key employees — set guidelines for employees.

EMPLOYEE GUIDELINES HELP

- Improve employee relations and teamwork.



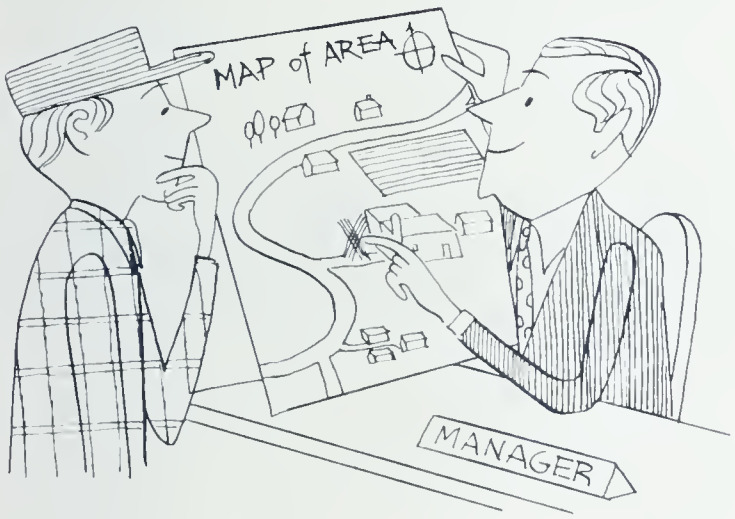
- Build knowledge of co-op objectives, practices, laws, customs, and services.



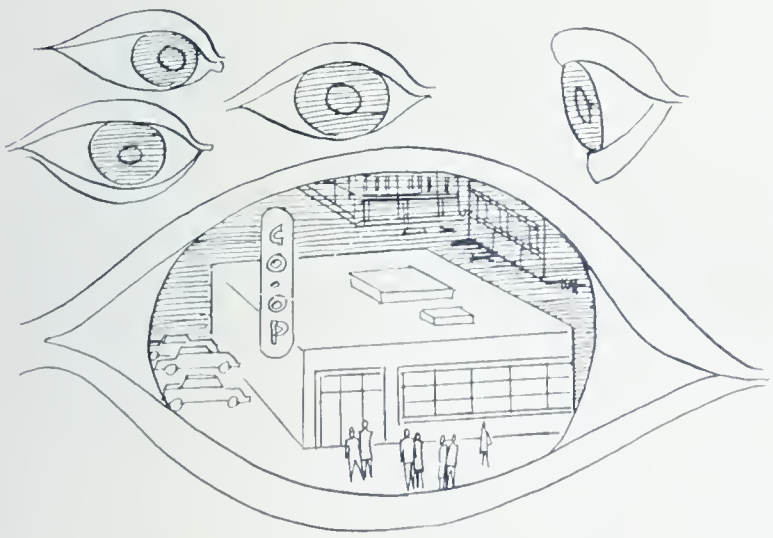
- Bring into proper focus the importance of serving members.

- Create a sense of employee responsibility and loyalty.

- Avoid misunderstandings and breakdowns of services.



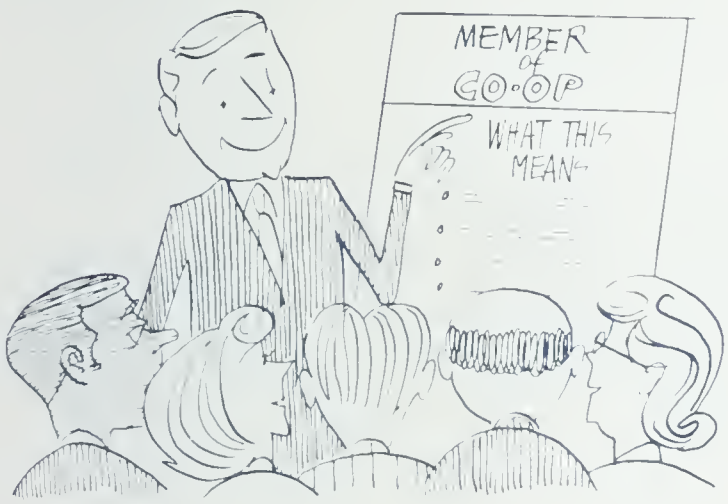
- Establish business image in the community.



GUIDELINES ABOUT THE COOPERATIVE

- Provide information about processing and marketing members' produce, obtaining production supplies, or a wide range of specialized services.

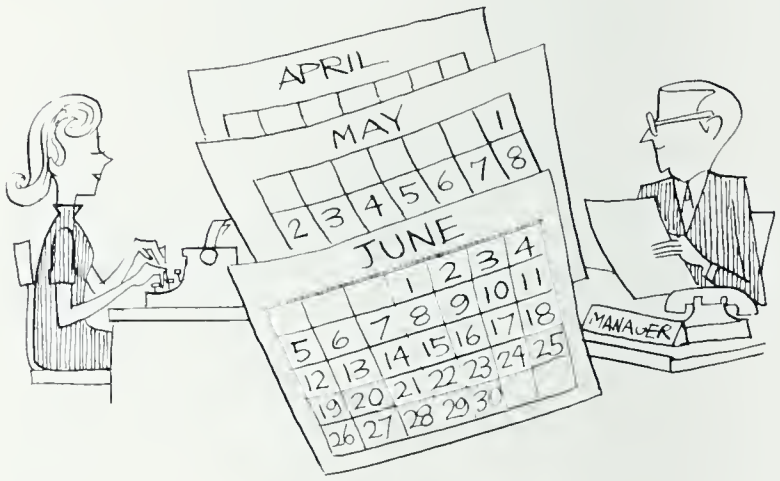
- Tell who the cooperative serves—members and others—and what membership means.



- Supply information about facilities to fill patrons' needs.

GUIDELINES ABOUT THE JOB

- Explain the importance of a trial period for management to decide if employee is suited for the job and for employee to decide if the job meets his or her desires.

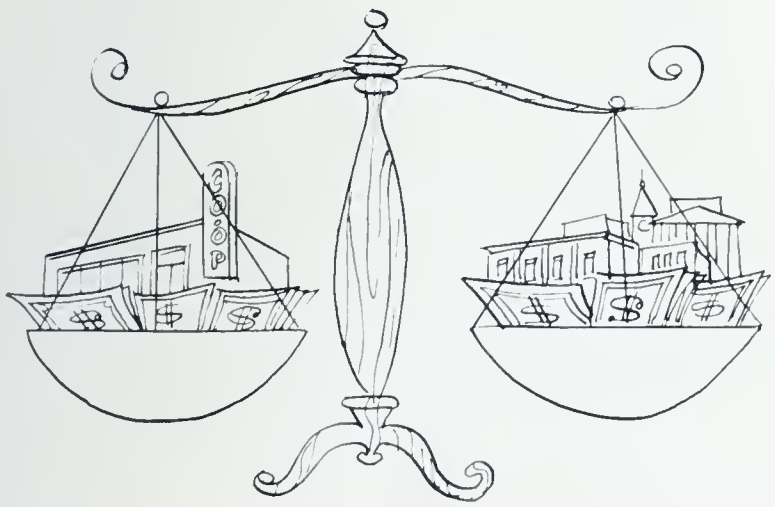


- Define duties of employees for each job in the cooperative, such as secretaries, accountants, truck drivers, warehousemen, and others.

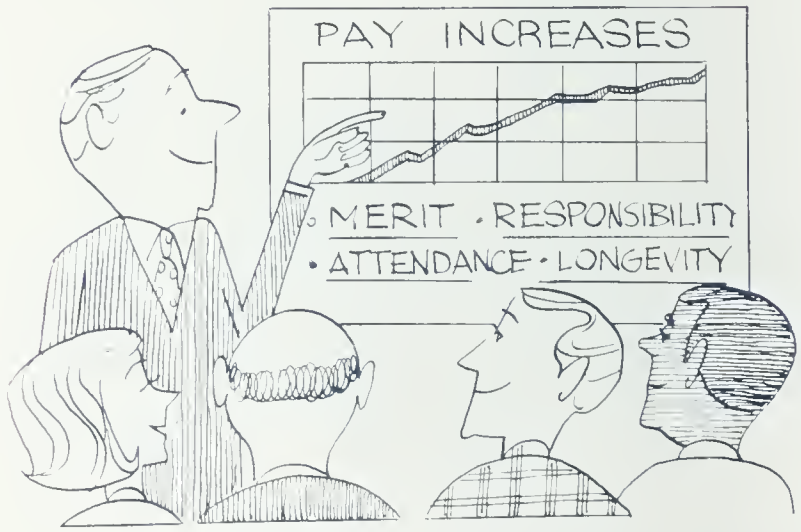
- Inform that equal employment opportunity is based on Federal and State laws.

Guidelines on Pay

- Compare pay scales with those in the community and indicate they meet Federal wage and hour laws.

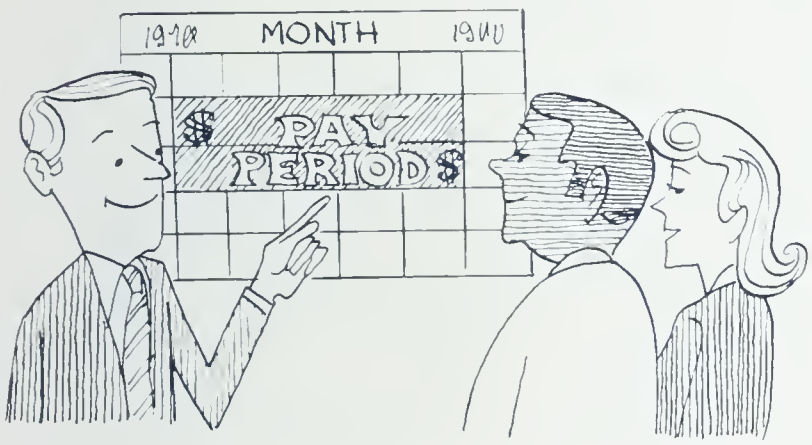


- Explain pay increases available based on merit, increased responsibility, attendance record, length of service, and other related factors.



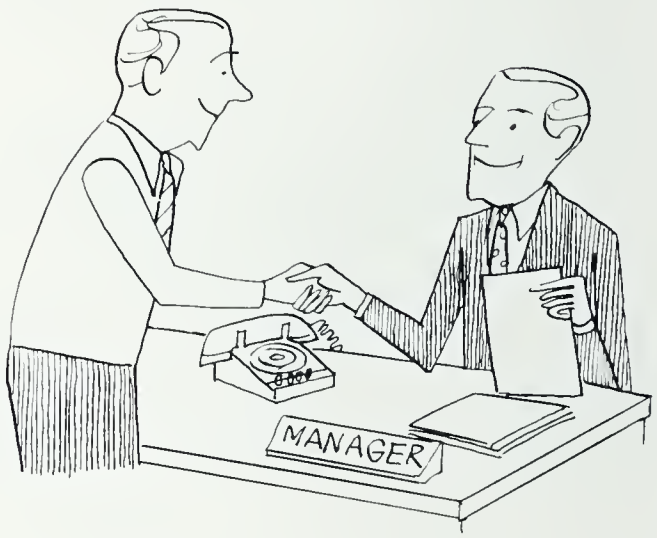
- Describe work incentives.

- List payday intervals.



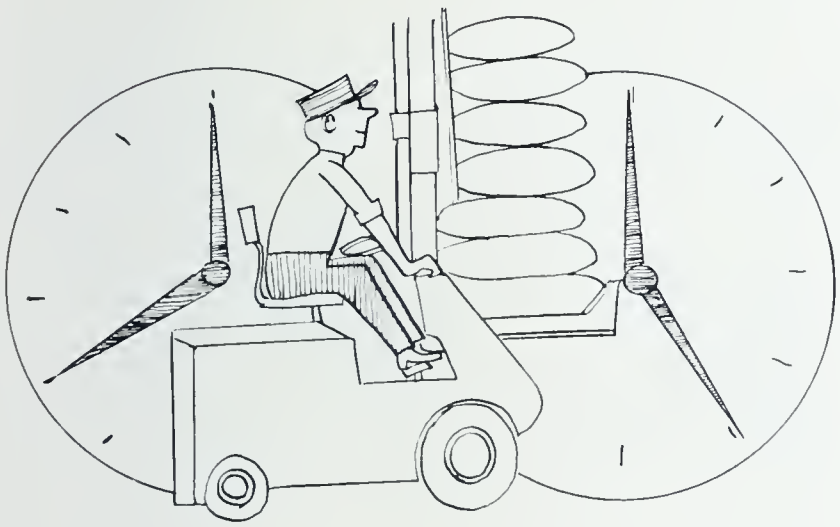
- State social security requirements, other approved employee deductions, and the cooperative's contributions as the employer.

- Set forth management's position on promotions.



- Describe special allowances such as for purchasing and laundering required uniform.

- Explain overtime rates, holiday pay, and extra pay during rush seasons.



- Cover financial responsibility of employees—as an example, the policy on co-signing employee notes by manager as individual or as the agent.

- Detail the retirement plan—age and years of service required, employee cost and retirement income, and the cooperative's contribution.

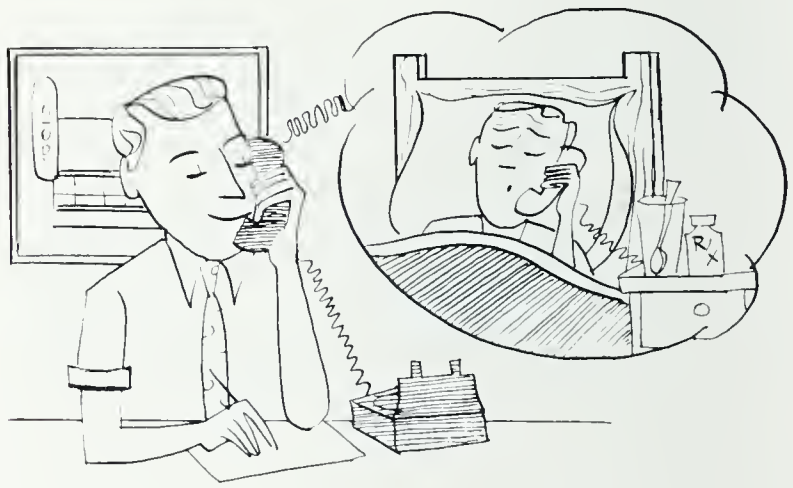
Working Hour Guidelines

- Define normal working hours clearly.

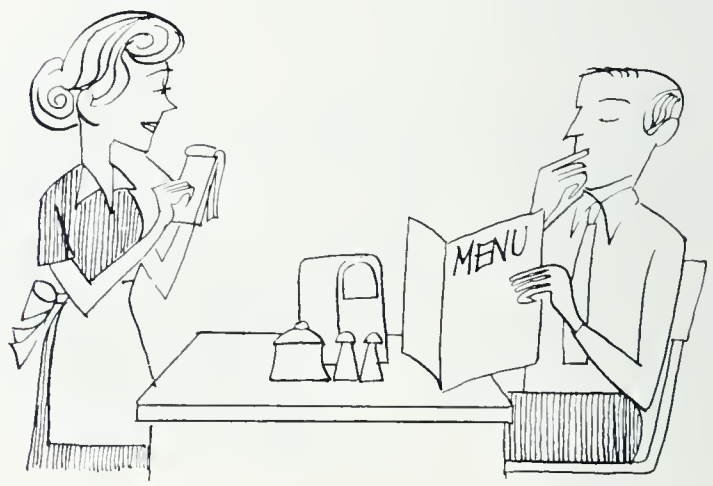
- Stress the importance of reporting to work on time and remaining until closing.

- Give instructions for resignation notices before voluntary employee separations, for claiming notice and terminal pay upon involuntary separation, and about retirement rights in each instance.

- Caution about reporting absence from work as early as possible.



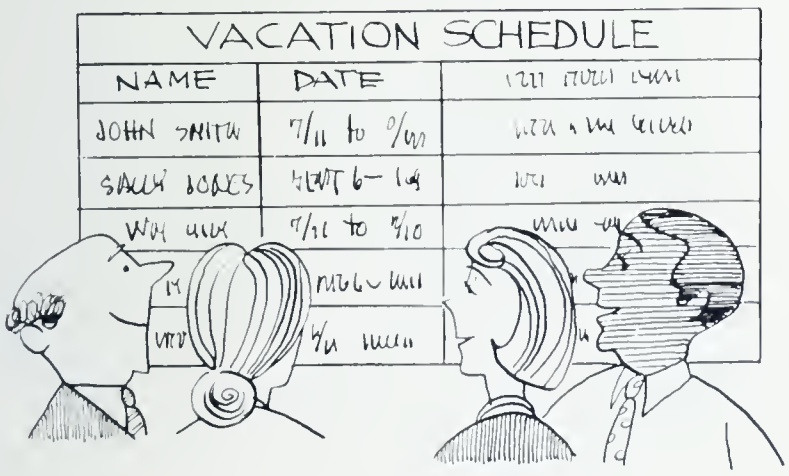
- Show rest periods or refreshment breaks and length of lunch period.



Guidelines on Leave Time

- List holidays observed.

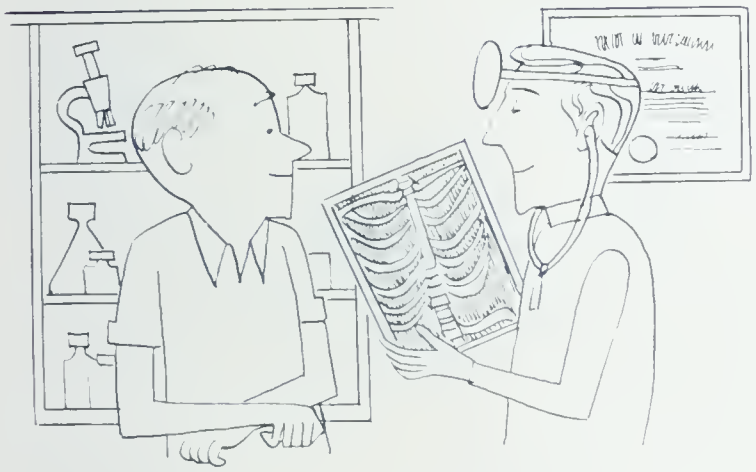
- Specify how vacation time is scheduled to minimize conflict with work demands.



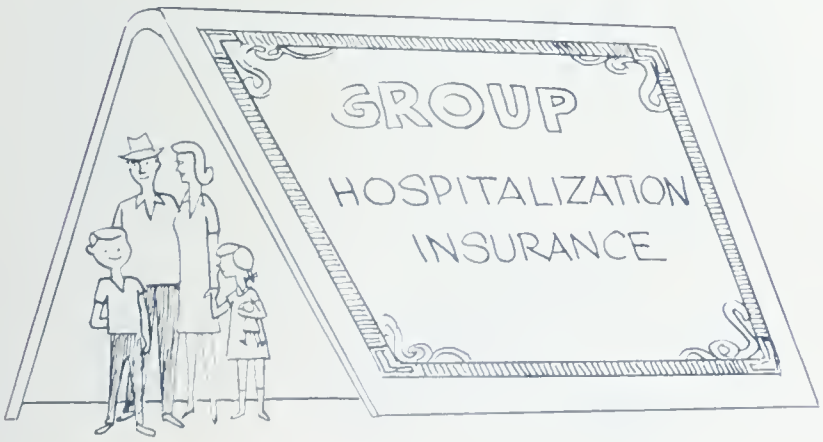
- Explain provisions for special leave . . .

GUIDELINES ABOUT HEALTH AND WELFARE

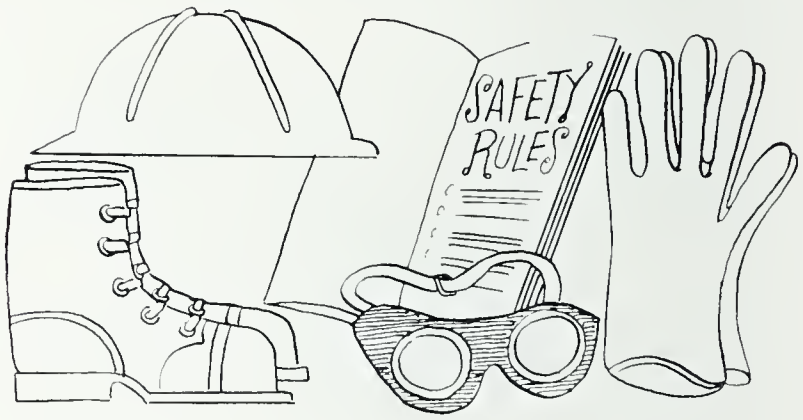
- Designate medical examination requirements before and during employment.



- Explain the coverage of group hospitalization insurance plan and group life insurance plan; the employee cost; and the cooperative's contribution toward premium cost.



- List safety rules and equipment requirements.



- Discuss workman's compensation for job injury—what State law requires and how the cooperative is affected.

- Designate where first aid supplies and emergency help are available.

- Provide procedures for fire drill or in case of fire.

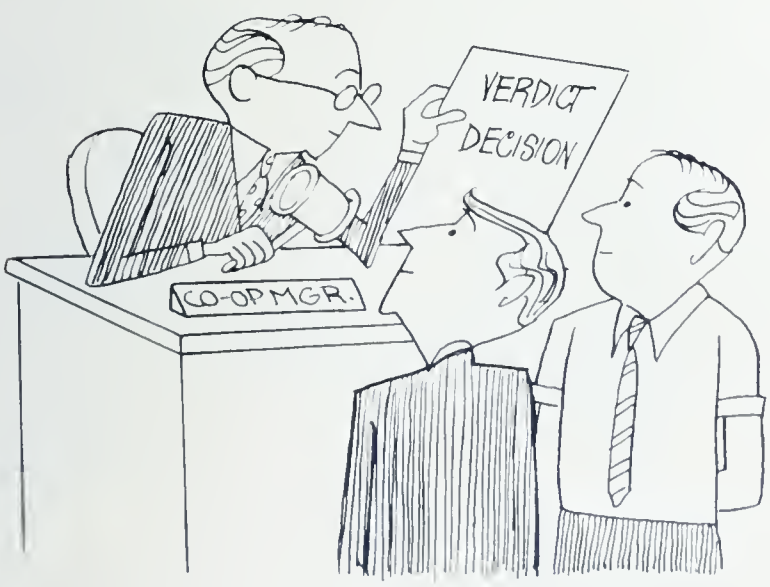
GUIDELINES ABOUT CONDUCT

- Set standards for businesslike appearance through good housekeeping—desk, billing counter, truck, display shelves, and machines.

- Describe appropriate dress for type of work to be done.

- State conditions for placing loyalty to the cooperative above personal interest or special benefits.

- Impress the employee with the need to consider the rights of other employees and describe how the cooperative will handle complaints.

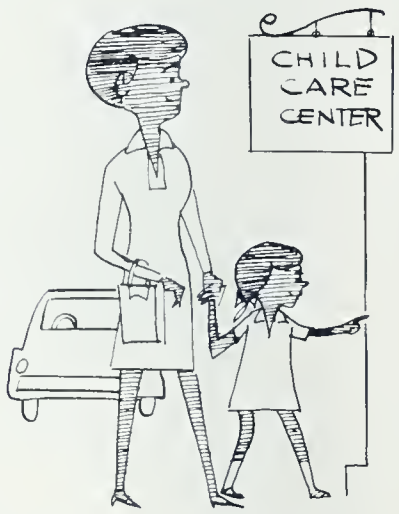


- Provide specific instructions for situations that could become everyday problem areas . . .

Using company property
for personal benefit

Safe storage
for employee property

Personal use
of company telephone



Child care
arrangements

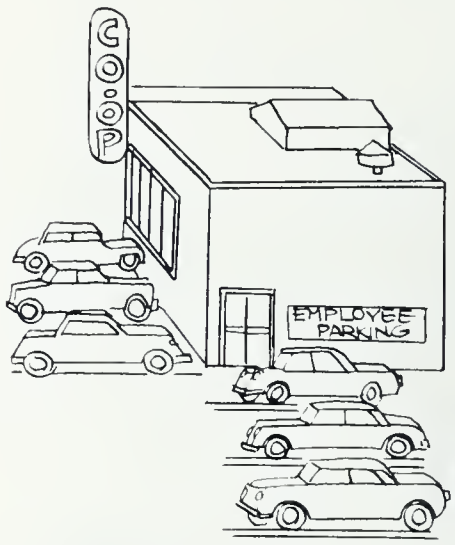
Solicitation
of money and gifts
on company time

Smoking

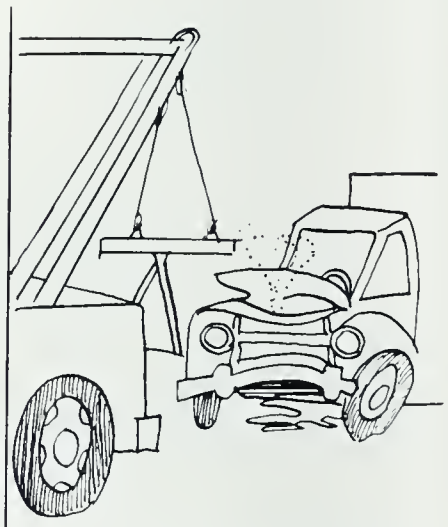
Drinking

Carrying firearms

Employee parking



Accident reporting

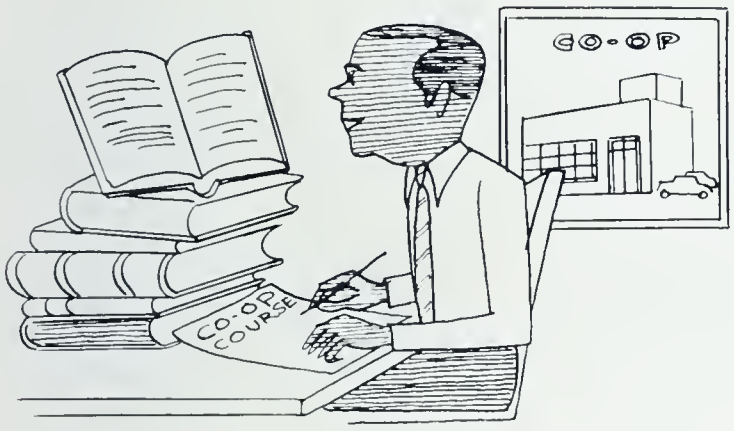


Unauthorized riders
in company vehicles

Grievances – fair play

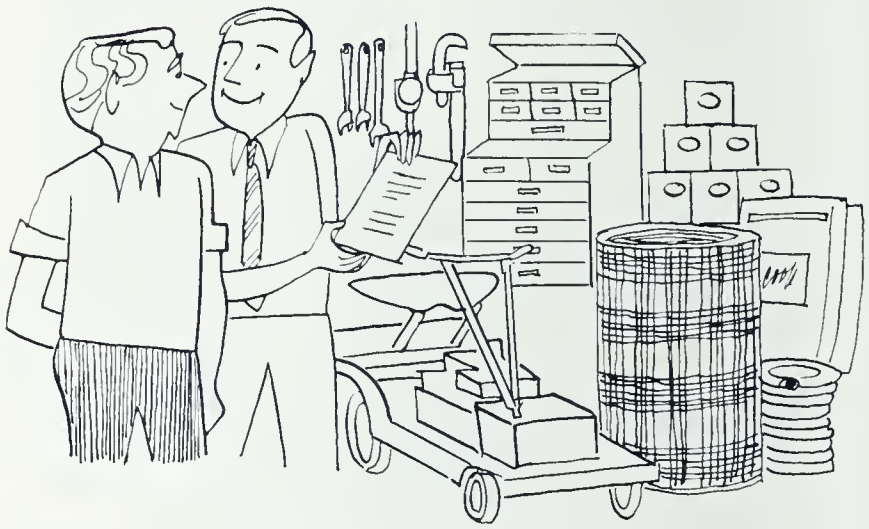
GUIDELINES ABOUT A FEW OTHER THINGS

- Outline programs for employee participation in training schools for individual development, work improvement, and company benefits.

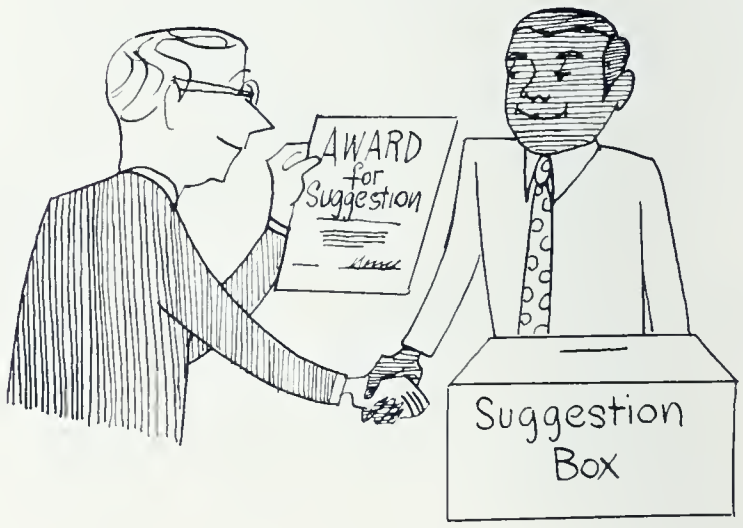


- Inform the employee about incidental benefits, such as the credit union and social activities.

- Establish employee cost of merchandise, prior payment arrangements, and management authorization requirements.



- Ask employees to suggest ideas for improvement and describe reward and recognition for accepted suggestions.



COOPERATIVE PROGRAM

U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

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COOPERATIVE INFORMATION REPORT 19
(Formerly FCS Information 82) September 1978

BOOKKEEPING FORMS YOUR CO-OP NEEDS

By Francis P. Yager

Records are used by management to keep them informed of conditions in the cooperative business.

This publication is intended to help bookkeepers, managers and boards of directors better understand some types of forms used in keeping a financial record of a business operation.

Bookkeeping is keeping regular and orderly business records.

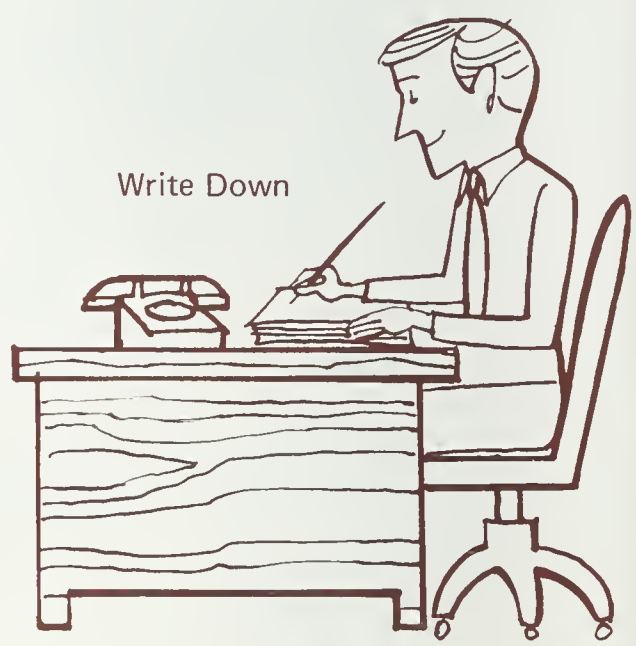
Bookkeepers use various forms to record—that is, write down—all information about the business.

Special JOURNAL

DATE	EXPLANATION	CASH	ACCTS. Receivable			

Journal

Write Down



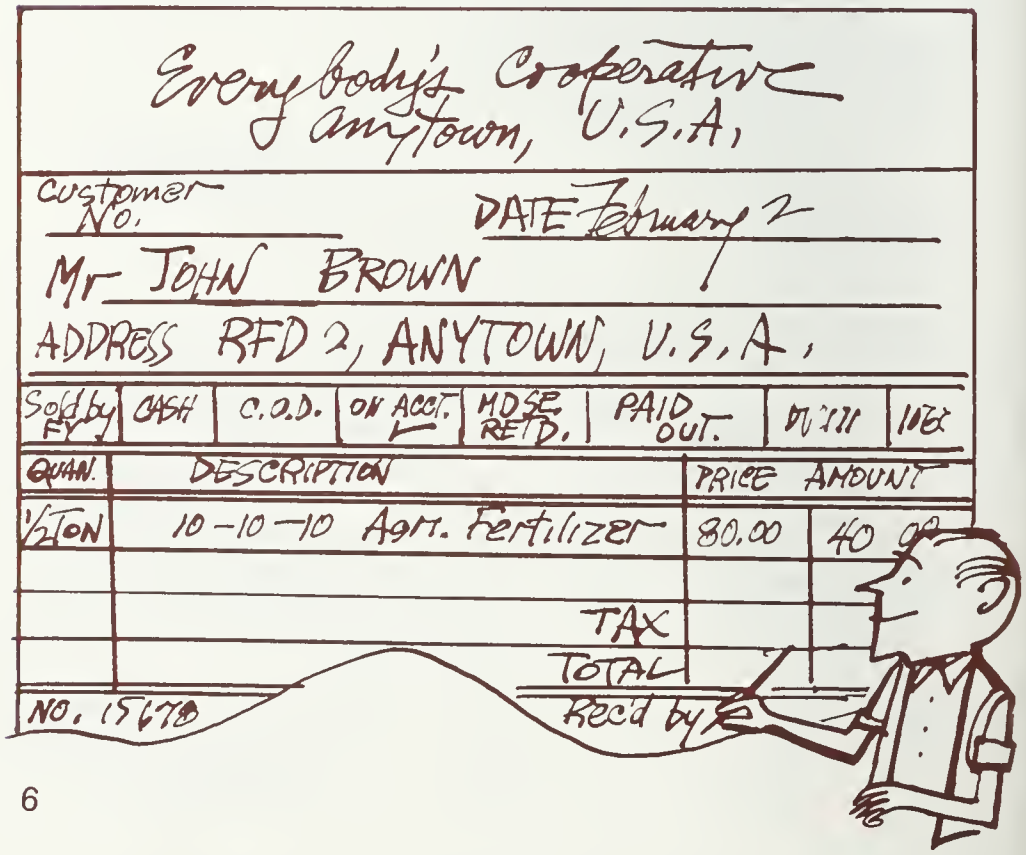
LEDGER Account.....

DATE	ITEMS & EXPLANATIONS	JOURNAL (REF.)	DEBIT	CREDIT	BALANCE DR.	BALANCE CR.

Bookkeeping forms consist of one or several books with pages ruled to provide space for recording.

Columns should be wide enough to record a transaction.

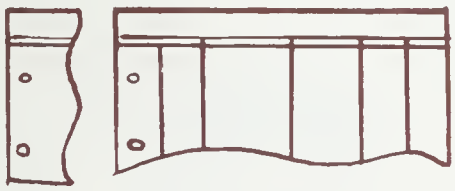
Transactions are first recorded on a ticket, or other form.



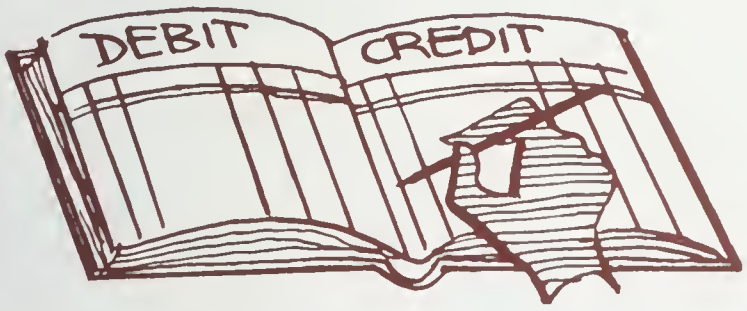
Each transaction is later recorded in a journal. It is one of two basic books used by bookkeepers:

—Is often called the "book of original entry."

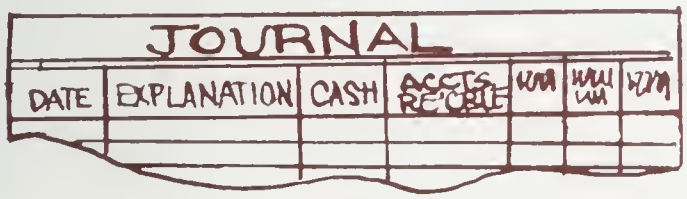
—May be looseleaf record with special columns to record transactions.



—Is used to record each transaction in a debit column and credit column.

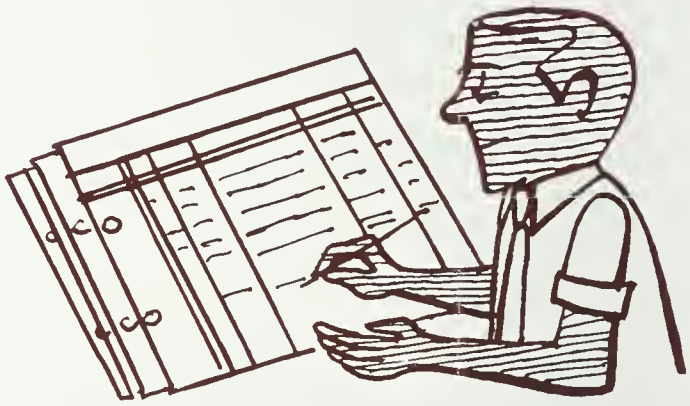


—Headings at the top of the pages in the journal are designed to fit the operations.



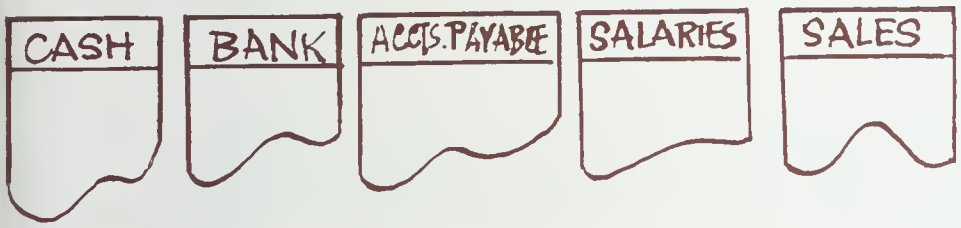
A ledger—the other basic special column book:

—May be an ordinary looseleaf ledger page.



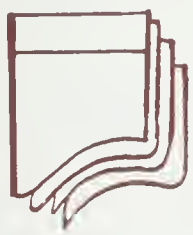
—Has space for explanation, dates, debit and credit amounts, and the balance.

—Is a book of accounts used to summarize business transactions, such as cash, bank, accounts payable, salaries, sales, and others.

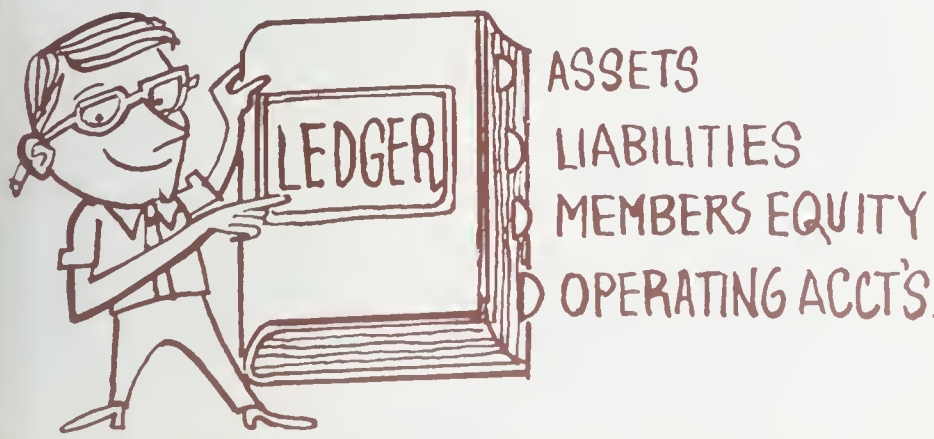


—May be used to summarize accounts daily, weekly, monthly, or yearly.

—Has all journal entries entered in like accounts.

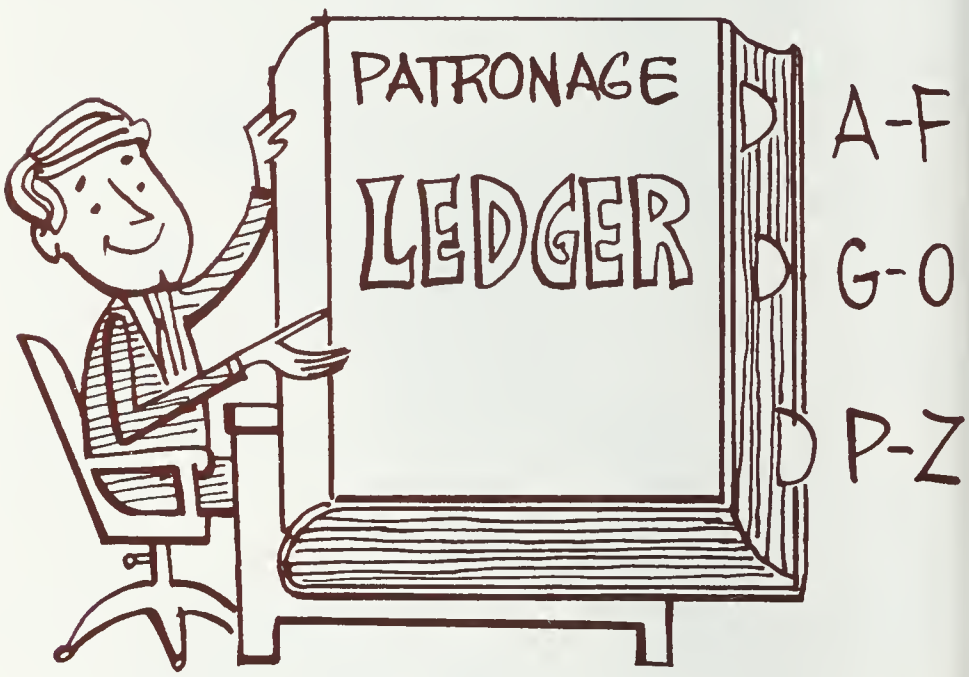


—May be divided into several sections.

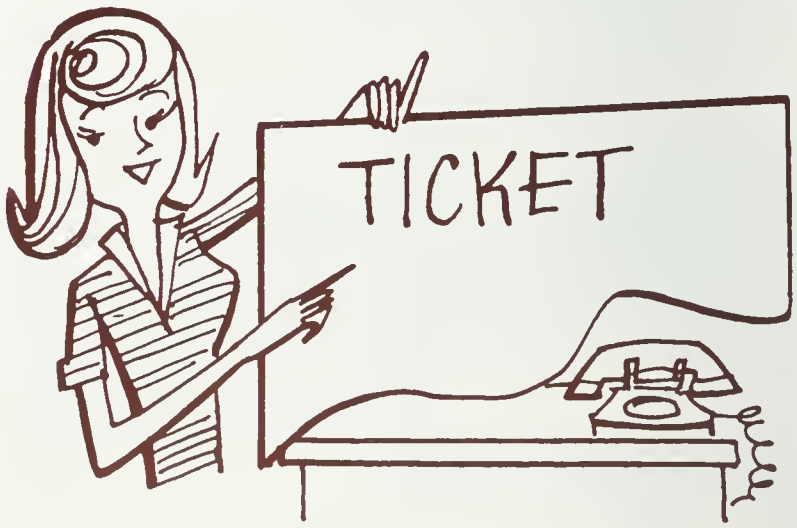


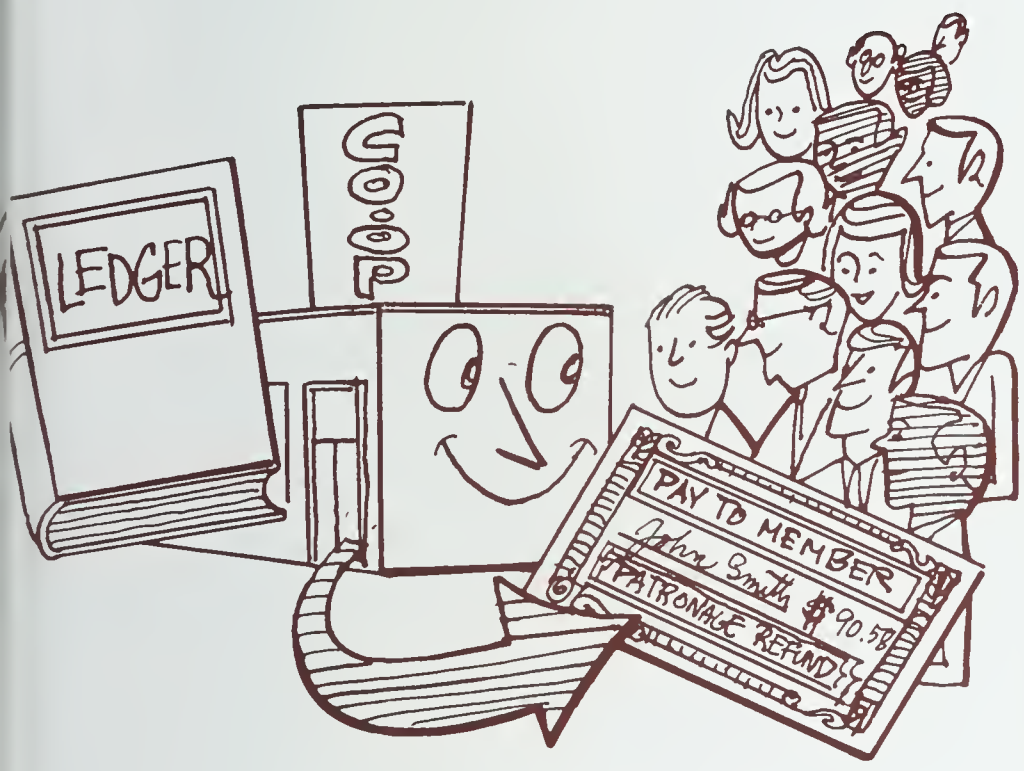
Another important book is the patronage volume ledger:

—A record of all business transactions with the co-op's patrons.



Bookkeepers obtain information for the patronage ledger from the tickets.





Patronage volume records are needed to allocate and distribute the cooperative's net margins at year's end.

OTHER PUBLICATIONS

Farmer Cooperative Publications CIR 4

Is There a Co-op in Your Future? CIR 10

What Are Cooperatives? CIR 11 (Also in Spanish)

Members Make Co-ops Go CIR 12 (Also in Spanish)

Using Co-op Members' Money CIR 13

What Co-op Directors Do CIR 14 (Also in Spanish)

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Manager Holds Important Key to Co-op Success CIR 16 (Also in Spanish

Employees Help Co-ops Serve CIR 17

Guidelines Co-op Employees Need CIR 18

Guides to Co-op Bookkeeping CIR 20

To obtain copies, write Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Washington, D.C. 20250

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Guides to Co-op Bookkeeping

U.S. DEPARTMENT OF AGRICULTURE
ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE
COOPERATIVE INFORMATION REPORT 20

COOPERATIVE PROGRAM

U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

This publication is one of a series designed to provide basic cooperative information.

COOPERATIVE INFORMATION REPORT 20

September 1978

Guides to Co-op Bookkeeping

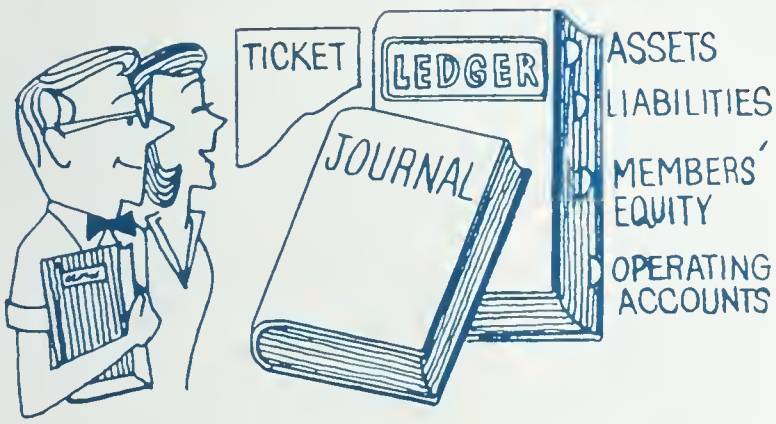
By Francis P. Yager

This publication explains what a bookkeeping system is and what business information it provides.

The bookkeeping system gives the manager and the board of directors the necessary information to operate the cooperative according to good business practices.

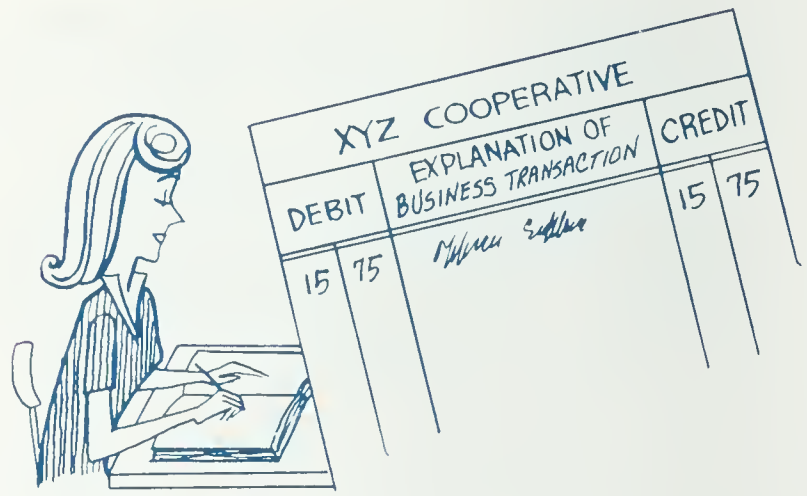
Bookkeeping entries vary by kind of cooperative, type of operation, and size of volume.

Bookkeeping provides a record of *business transactions.*

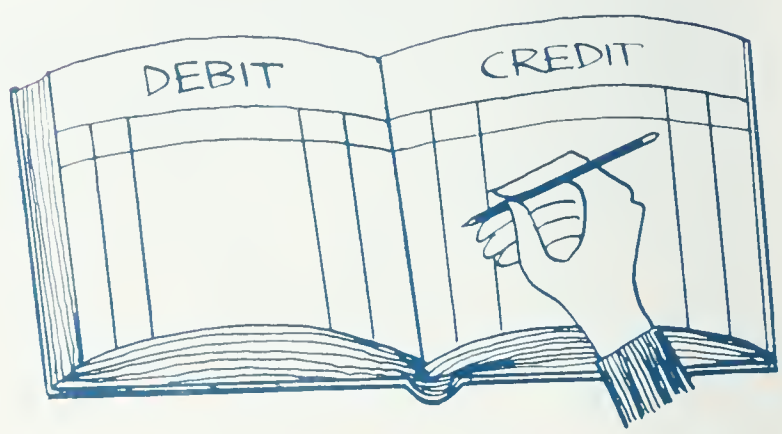


A *transaction* is exchanging goods or services at stated prices and involves the transfer of money.

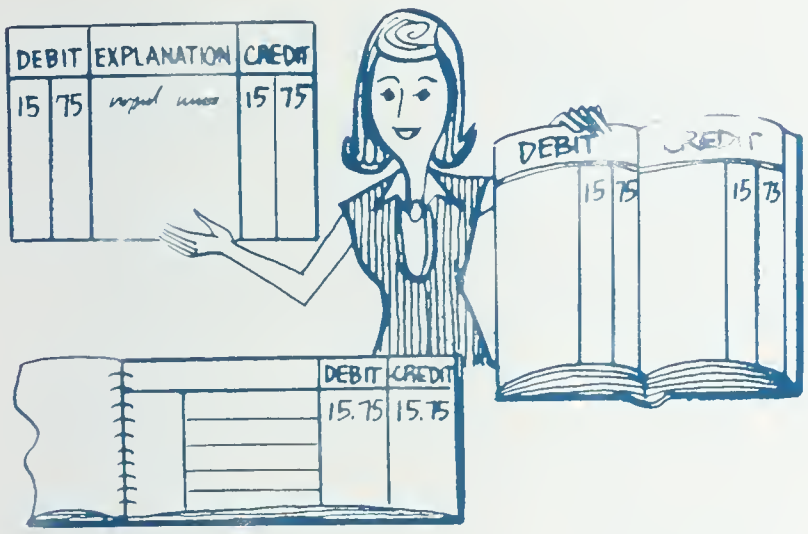
Business transactions are recorded at least twice—once in a *debit* column and once in a *credit* column.



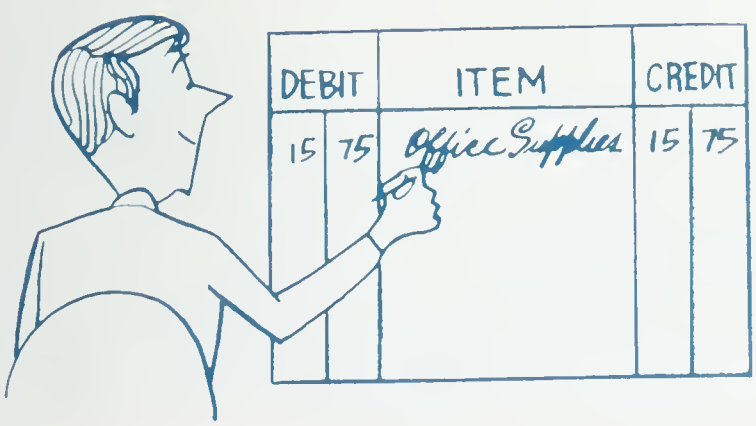
This practice is called *double entry* bookkeeping when each transaction is recorded in a debit and credit column.



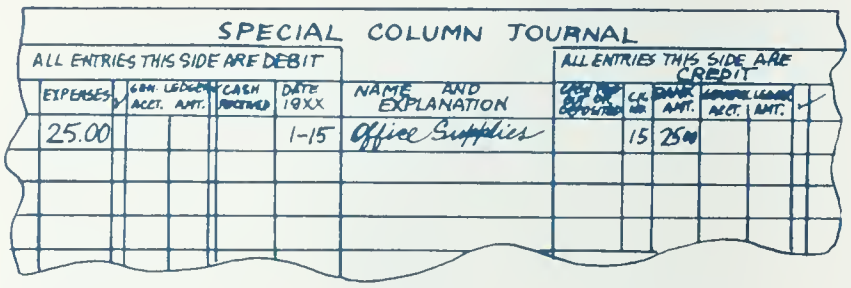
Debits are entered on the left side of a column or page; credits are entered on the right side.



Debits and credits for any given transaction should equal or balance each other.

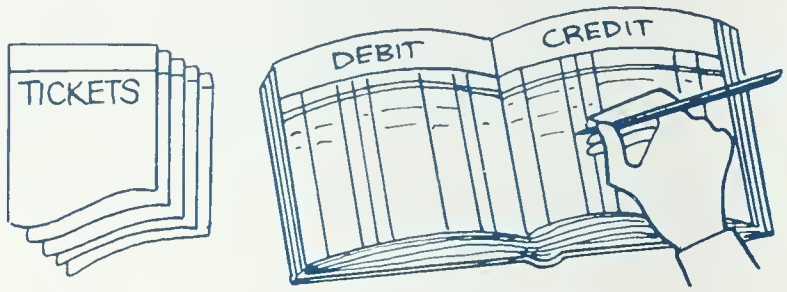


Information from the sales ticket is entered in the *journal,* usually on a daily basis. The entry includes details such as the date, the kind of transaction, and the price.

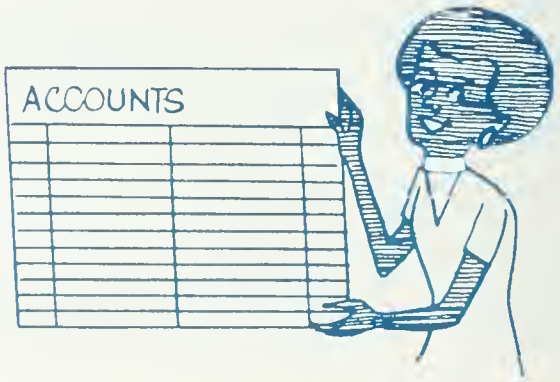


SPECIAL COLUMN JOURNAL

ALL ENTRIES THIS SIDE ARE DEBIT						ALL ENTRIES THIS SIDE ARE CREDIT					
EXPENSES	GEN. LEDGER ACCT.	AMT.	CASH RECEIVED	DATE 19XX	NAME AND EXPLANATION	CASH OR CHECK DEPOSITED	CK. NO.	BANK AMT.	GENERAL LEDGER ACCT.	AMT.	✓
25.00				1-15	Office Supplies		15	25.00			

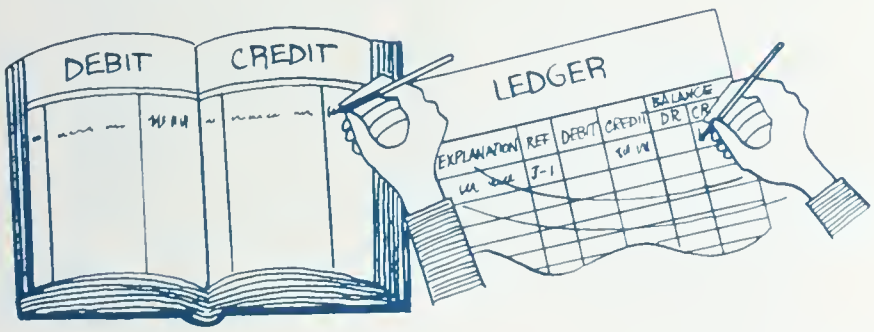


A record of each transaction—purchases, sales, salaries, wages—is called an *account.*

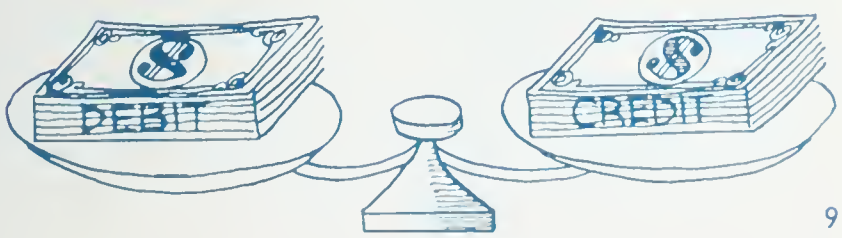


Transferring debits and credits from the accounts in the journal to accounts in the *ledger* is called *posting.* The ledger is a summary of all the accounts.

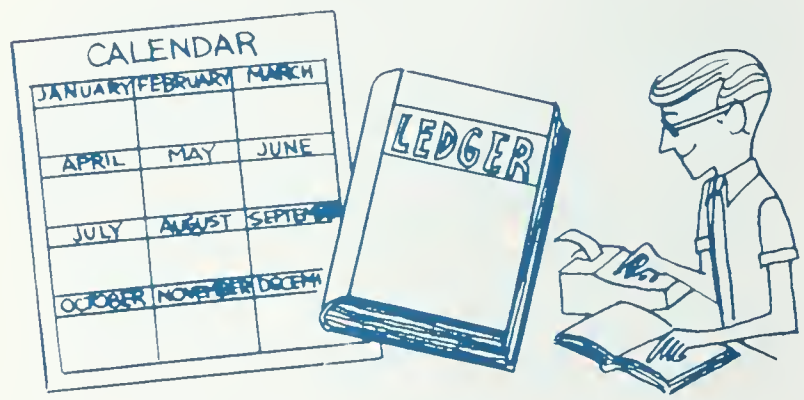
Trial balance is checking debits and credits in the ledger accounts for accuracy.



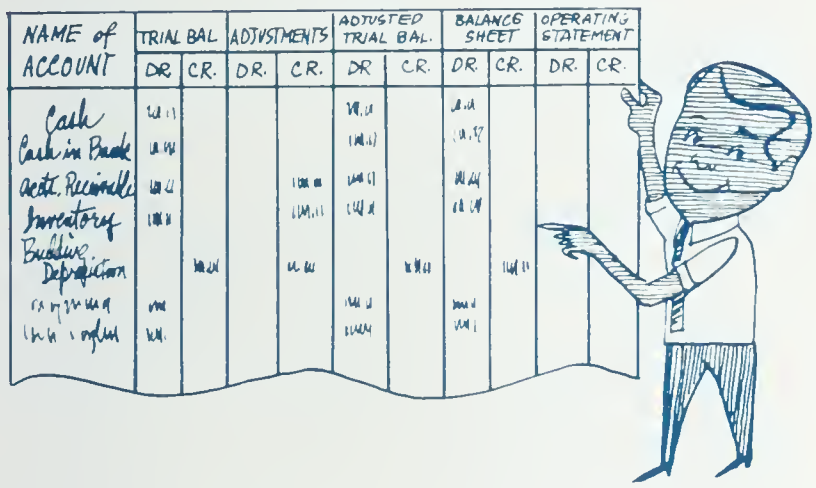
Totals in the debit column and credit column are the same when the ledger accounts balance.



A *financial statement* is prepared each month to keep the manager and the board of directors informed about the cooperative's business condition.



A *worksheet* is used to prepare the financial statements—consisting of the *operating statement* and *balance sheet.*



Some accounts must be adjusted; such as, inventories, insurance, taxes, depreciation, salaries, and other expenses to accurately reflect business conditions.

An *operating statement* shows operating results for a certain period of time, usually a month or a year.

OPERATING STATEMENT

Everybody's Cooperative
Anytown, USA

January 1, 19XX to December 31, 19XX

Sales	$100,000
Cost of goods sold	85,000
Gross margin	15,000
Expenses	12,500
*Net margins	$ 2,500

*Allocated to patrons on basis of business done with the cooperative.

A balance sheet shows financial condition of a business at a given moment of time.

BALANCE SHEET

Everybody's Cooperative
Anytown, USA

December 31, 19XX

Assets

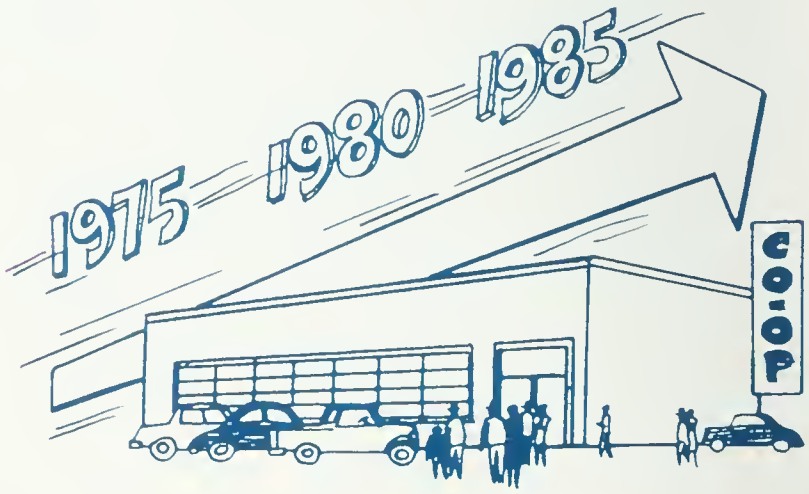
Current assets			
Cash		$ 1,000	
Accounts receivable		200	
Inventory		34,000	$35,200
Fixed assets			
Land		1,000	
Building	$15,000		
Equipment	10,000		
Less Depreciation	1,300	23,700	24,700
Other assets		1,000	
Prepaid		800	1,800
Total assets			$61,700

Liabilities and Member Equities

Current Liabilities		
Accounts payable	$10,000	
Accrued expenses	800	
Short term loans	1,000	
Patronage refund payable	500	$12,300
Long term loan		24,000
Grants		10,400
Member equities		
Capital stock	13,000	
Allocated reserves	2,000	15,000
Total liabilities and Member equities		$61,700

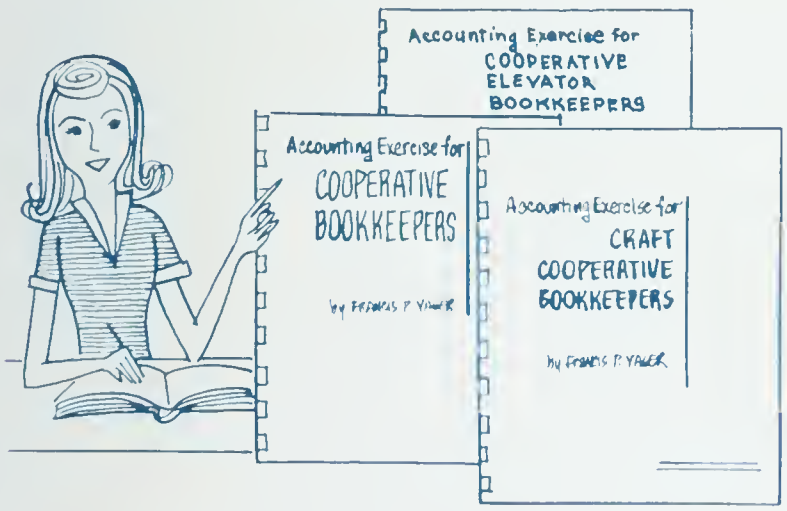
The manager uses the financial statements to report the business condition of the cooperative to the board of directors.

This information helps the board to make long-range plans to enlarge and improve the cooperative's service to its member-owners.



To inform the member-owners about the business condition of their cooperative, an *annual report* is prepared. A copy is given to each member, and it is discussed at the *annual meeting*.

Bookkeeping exercises, as illustrated, may be obtained from Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Washington, D.C. 20250.



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Employees Help Co-ops Serve CIR 17

Guidelines Co-op Employees Need CIR 18

Bookkeeping Forms Your Co-op Needs CIR 19

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United States
Department of
Agriculture

Agricultural
Cooperative
Service

Cooperative
Information Report
Number 21

Organizing And Conducting Cooperatives' Annual Meetings

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Cooperative Information Report 21

Issued July 1967

Reprinted June 1981

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HIGHLIGHTS

Holding a successful annual meeting requires planning ahead, getting members to help, and then carrying out the plans. The time and place have an important bearing on the attendance. Most of the activities discussed in the circular have been found basic to building and maintaining sound membership understanding as well as good community relations. Others provide variety and balance to the annual meeting program.

A well-balanced annual meeting program consists of three basic ingredients: Business, information, and entertainment.

It also should provide some opportunity for visiting among the members. This can be done during the lunch hour or at coffee breaks if these are included as part of the program.

Conducting the business phase includes such legal matters as nominating and electing directors, receiving official reports, and voting on bylaw changes and other cooperative matters.

Informational or educational phase revolves around such activities as illustrated talks; use of charts, slides, and movies; panel discussions; question-and-answer periods; and special speakers. Keeping members and management informed is a continuous two-way process that must be worked at continually.

Adding variety and fun to the meeting may involve serving a meal or interspersing entertainment. The latter includes such items as musical selections, local

talent, quiz contests, motion pictures, and professional entertainment.

An important factor in getting out the crowd is to have something of interest for the entire family.

Numerous devices can be used to announce and publicize the annual meeting. Among these are official notices, correspondence reminders, posters, newspaper articles, radio and television announcements, and word-of-mouth publicity.

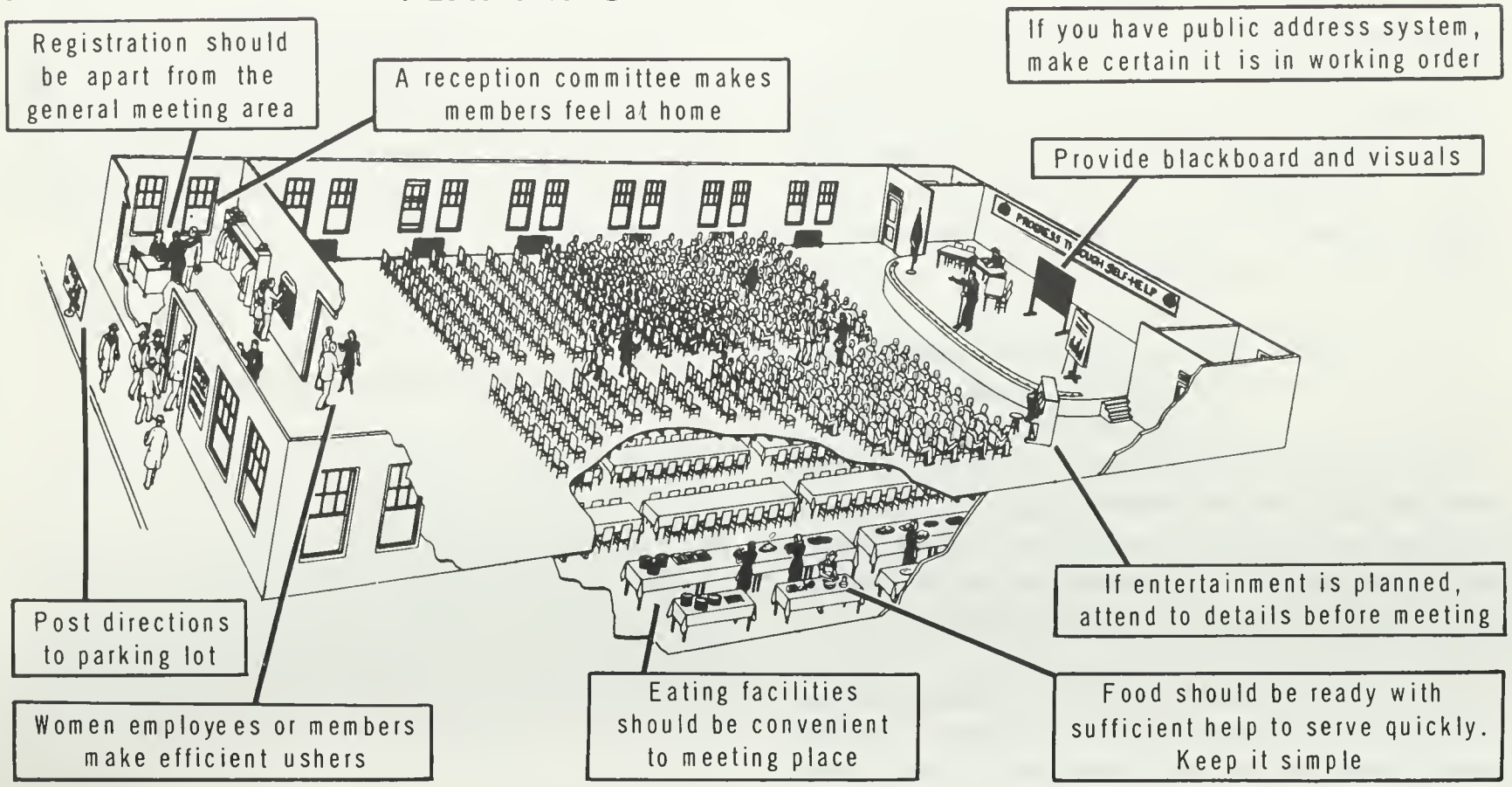
Any activities that will make the members feel welcome help to assure their coming again.

Once the details are carefully planned and delegated, the actual staging of the meeting is much simpler. The chairman is a key figure and should know his job well. Much depends also on the support he receives from the other members of the planning team.

The chairman should keep the meeting moving, preside with fairness and impartiality, maintain parliamentary order, and encourage questions and comments from the members. A detailed step-by-step program is helpful for the chairman's guidance. (See Appendix, page 44.)

Postmeeting activities should include preparing newspaper stories, a followup message to the members, thank-you letters to those who helped, and a frank appraisal of the meeting as a guide to the future. Planning for the next meeting should begin as soon as this one is over.

FIG. 1.--THE MEETING PLACE, AS WELL AS THE PROGRAM, NEEDS CAREFUL PLANNING



ORGANIZING AND CONDUCTING COOPERATIVES' ANNUAL MEETINGS

The annual meeting is the high-water mark of the cooperative year. It is the time when management gives an accounting to the members, and when the members--as joint owners--express their views to directors and employees.

The bylaws require an annual meeting. Every manager wants a good one. But successful meetings don't just happen. Each detail must be planned and executed carefully. When this is done, the annual meeting program can be important in stimulating goodwill and in building membership understanding.

This publication offers helpful suggestions to cooperative managers and others charged with this job. It is directed primarily to associations that operate locally and invite the entire membership to the annual meeting. Many suggestions, however, will be useful also to regional organizations whose annual meetings are attended by delegates.

Cooperatives hold many thousands of annual meetings each year. Each meeting offers an excellent opportunity to build goodwill and to stimulate interest in the cooperative way of doing business. It provides an opportunity for the officers to sit down with the members and discuss the association's purposes, services, and accomplishments.

The annual meeting of a cooperative can be anything from a routine formality to a live and memorable event.

It may require, on one hand, a frantic last-minute scurry to round up a quorum. Or it may involve a search for enough chairs to accommodate the crowd. The kind of meeting that develops is almost entirely in the hands of the board of directors, the manager, and other key employees.

If the annual meeting is held simply to comply with the bylaws, there is little chance of its being anything but drab and monotonous. If it is held in the proper cooperative spirit as a yearly occasion when members and officials of their association get together to discuss operations and future plans, results can be rewarding.

WHY HOLD AN ANNUAL MEETING?

Official purpose of the annual meeting is to review the program and the business of the cooperative for the past year, to elect officers, and to plan future activities. Holding such a meeting is a legal requirement.

The order of business is generally outlined in the association's bylaws. It includes reading the minutes, annual reports of officers and committees, electing directors, unfinished business, and new business.

Each program should provide for participation of members, their wives, and young people. This basic principle should govern all annual meeting planning.

The annual meeting gives members a chance to ask questions and offer suggestions. It provides management the opportunity to explain and discuss operating policies and to sound out reaction of members.

Management has this opportunity to instill more firmly in the mind of each member these thoughts, "This is my association. I share in its ownership and control. It is being operated for my benefit. I have a direct responsibility for its success."

Members exercise control of the cooperative at the annual meeting by: (1) Electing their directors, (2) receiving and passing upon the reports of their officers, (3) contributing comments and suggestions on the conduct of the business, and (4) voting on bylaw changes, resolutions, and matters of policy.

ELECTING DIRECTORS

The election of capable directors is the first of the members' democratic privileges and responsibilities. Generally, the bylaws provide that directors shall be elected by a vote of members at the annual meeting. It is through the power to elect directors that members exercise general control over policies of the association. This is a vital part of the annual meeting and every precaution should be taken to assure a fair and intelligent selection.

The election of directors is of prime importance because the corporate powers of an association are vested in them. They possess collectively all the powers that the association has under the law. They determine, either expressly or by implication, the acts to be performed and the plans and methods to be followed by the officers, agents, and employees of the association.

REPORTS OF OFFICERS

The annual meeting provides an opportunity to bring members up-to-date on the progress of their association. It is the logical time to review and analyze the past year's business, to discuss the trends in membership, volume and costs of operations, and to go into the financial status.

Members are entitled to know all the pertinent facts concerning their organization. Properly presented and intelligently discussed, annual reports are a basis of mutual understanding between management and members. The use of well-chosen pictures, charts, slides, and other visual aids by speakers helps members grasp the highlights covered.

Annual reports can also serve a further purpose. "An analysis of the entire association setup is frequently refreshing," points out one manager, "even to those who have been in the organization for many, many years."

Those who have lived with the organization and have done their part toward helping to build it to its present position come to assume that every member of the association is equally well informed regarding all these matters. But the story must be told over and over for the benefit of those who do not know fully the nature of cooperative activities.

The highlights of the cooperative's business must be publicized for the entire membership, but particularly for members and their families attending for the first time.

QUESTIONS AND SUGGESTIONS

Contributing suggestions is an important phase of membership participation--particularly at the annual meeting. Members should not only be permitted to ask questions and offer suggestions, they should be encouraged to do so.

It may be desirable at times to submit certain questions to a direct vote of the members. A preparatory step, of course, is to supply them with adequate facts on which to base a decision. Whether or not a vote is taken, members are entitled at all times to a voice in the matters under consideration.

It is not possible to anticipate all the questions members will ask. Some may want to know more about the organization's capital structure or its operating policies. Others may want more details concerning operating costs. A number may have heard rumors critical of some aspect of the cooperative.

The annual meeting gives members an opportunity to bring all such matters before the association for discussion and clarification. The workshop sessions discussed on page 18 of this circular are a distinct aid in this direction.

Cooperative information is not a one-way avenue--it is a give-and-take proposition. Much progress in cooperative organization and practices has come about as the result of practical suggestions made by members.

It should be anticipated, of course, that in general discussions opinions may differ, and occasionally heated arguments may result. These need not be harmful, and with careful handling by the chairman may be beneficial. Airing grievances and bringing to light any smoldering dissatisfactions may avoid a more serious flareup at a later time.

It is much better to have any problems and weaknesses of the association discussed in the meeting hall than to have them argued on the street corner and across the back fence.

BYLAW CHANGES

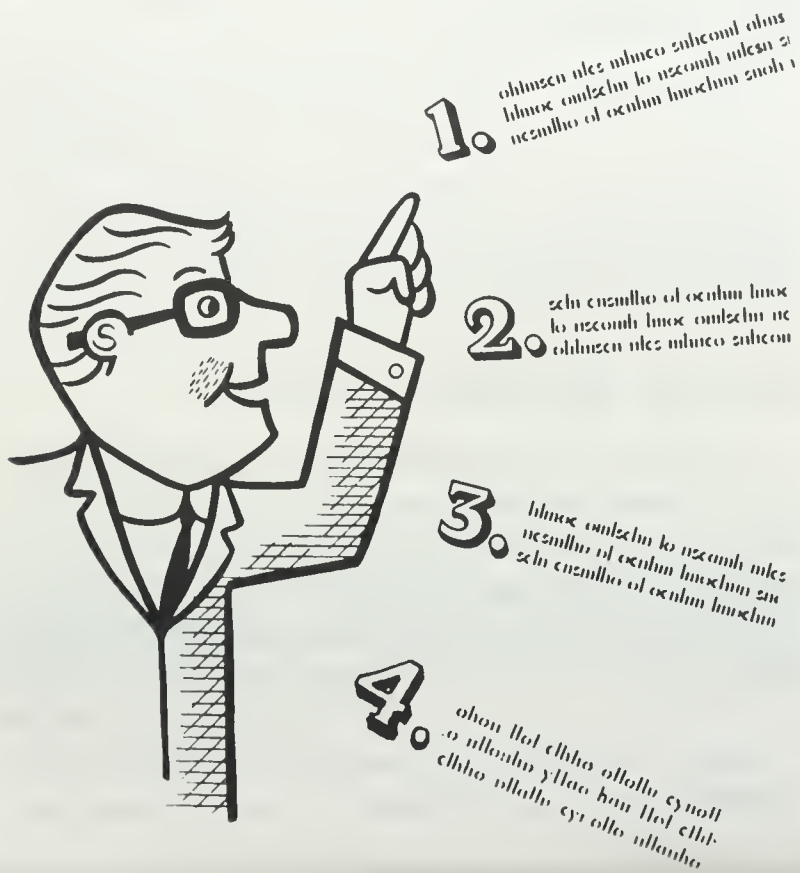
Voting on amendments to bylaws or other organization papers is often necessary. Changing economic conditions or merely the growth and expansion of the business may make it desirable for an association to change or amend its organization papers. This usually is considered and voted on by members at the annual meeting.

Not to keep the bylaws abreast of current practices and needs can lead to serious difficulties. Directors should anticipate the changes needed and recommend well-considered amendments.

Proposed amendments should be publicized in advance of the meeting with supporting arguments. This is much better than to have some hurriedly conceived action spring from the floor.

Legally, an association cannot engage in any activity, handle any commodity, or perform any service unless authorized to do so by its charter. Through its bylaws, an association regulates its voting procedure, sets the time and place of its annual meeting, and regulates transfer of its stock from one person to another.

Through its bylaws, an association may provide also for use of a contract or marketing agreement, outline the manner in which services are to be provided, and specify the procedure for accounting with members. These bylaw provisions may need to be changed from time to time.



GUIDES TO EFFECTIVE PLANNING

The successive steps to an effective annual meeting are so simple that they are often overlooked. They involve: (1) Planning in time, (2) getting members to help, (3) carrying out the plans, and (4) arranging time and place.

PLANNING IN TIME

Advance planning is the mainspring that sets the wheels moving. Without such planning there is usually waste motion, or none at all.

Almost as important as the planning itself, moreover, is the time when planning is started. This must be far in advance of the meeting--weeks, even months before.

Detailed plans cannot be developed overnight. Qualified speakers can seldom be found at the last minute. Whether or not to serve a free lunch must be decided. Arrangements for a suitable hall with plenty of chairs, a blackboard, charts, and other essentials cannot await the day of the meeting.

The responsibility for this planning rests upon the shoulders of the manager and the board of directors. Their planning must include arranging the time and place, building up the program, getting out the crowd, and staging the meeting itself.

Stated in another way the four essentials of a good meeting are adequate facilities, a stimulating and well-balanced program, a large representative attendance, and membership participation. A meeting which falls down in any one of these respects cannot be entirely successful.

Each of the four general phases of the planning--as well as the four essentials of a good meeting--is interdependent on the others. Although these are discussed separately in the following pages, the officers and directors should tackle them together.

GETTING MEMBERS TO HELP

Like other responsibilities of officers and directors, planning the annual meeting is a job that may be delegated in part to the members themselves. The more who feel a personal responsibility in making the meeting a success, the more successful the meeting is likely to be.

Thus to help plan and carry out the meeting the president may appoint a number of special committees

to work with the association's officers and directors. Among these should be program, attendance, lunch, entertainment, and nominating committees. Your cooperative leaders will doubtless think of others.

A chairman of each committee should be named. The jobs to be done and the order in which they should be done should be listed in detail and discussed with each chairman.

In some larger associations covering wide territories, local annual meeting committees have been appointed in each district to contribute suggestions and contact the members.

CARRYING OUT PLANS

To carry out plans requires listing step by step the many jobs that need doing, assigning various tasks to specific individuals or committees, and finally following through to see that all the plans are translated into action.

Since timing is so important, it helps to develop a calendar of things to be done. The appendix of this circular contains a suggested outline, week by week. (See page 37.)

ARRANGING TIME AND PLACE

Time and place are the first two things to be decided in planning the annual meeting. Both have considerable bearing upon the number of persons who can or will attend. Often the association's bylaws name the general time and the place, but with enough latitude to permit some choice, at least as to the actual meeting hall.

MEETING TIME

The day and hour should best suit the convenience of members. Few people can attend meetings during their busy season.

More will be likely to attend if the meeting is held some time during the slack season, after the rush or

before the next busy season has begun. Generally this coincides with the cooperative's fiscal year and permits the meeting to be held soon after the close of the year's operations.

The time of day and the day of the week also may be factors affecting attendance. If it is found that the time is inconvenient and is tending to cut down attendance, the bylaws should be amended to permit a more suitable time.

MEETING PLACE

The meeting hall should be conveniently located; have adequate seating capacity; and be comfortable from the standpoint of heat, light, ventilation, and other arrangements.

Surrounding conditions and attributes of the room itself should also be considered. Outside disturbances divert attention and detract from the success of the gathering. Avoid nearby ball games, traffic noises, building construction, and other annoying distractions.

Nearby parking and accessibility by public transportation are important.

Adequate seating capacity is necessary, of course. To invite people without providing them seats is as discourteous as it is uncomfortable. People standing, even around the edges of the room, are continually shifting and moving. This distracts the speakers and audience.

It should be possible to estimate fairly accurately the number likely to attend by considering attendance at previous meetings, by talking to members from each community, and by other advance "checking." It is better to have a meeting hall that is too large than one that is too small.

If the hall is large, a public address system will be needed. The system should be tested before the meeting and someone assigned to sit by and operate it.

Portable microphones can be scattered throughout the auditorium to encourage member participation. If portable microphones are used during question-and-

answer periods, floor discussions, and times when nominations or motions are called for, designated persons should stand by to hand a microphone to those who wish to speak.

Before a hall is finally agreed upon, someone should inspect it to make certain that the heating, lighting, and ventilation are suitable. It is essential that the meeting hall can be darkened if the program includes motion pictures or slides.

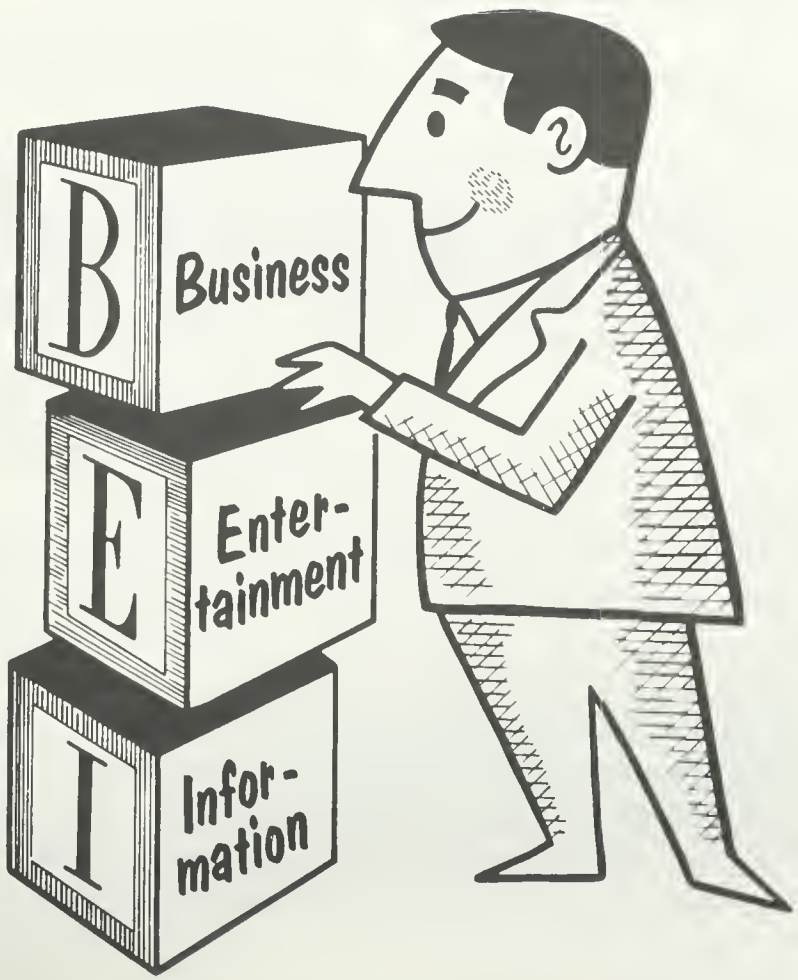
Arrangement of the room is also important. A rear entrance permits members to enter or leave with a minimum of confusion. Light should enter the room from the sides or the back rather than the front.

A speaker's platform is desirable, particularly if the audience is large and the floor is not sloped. It helps if the rostrum is large enough to seat the board of directors, speakers, and other program participants. A blackboard and a place to support charts may be needed for speakers.

A convenient place to hang coats and hats should be provided. Sometimes, it works out best to have a separate checkroom for wraps.

Restroom facilities should be available and plainly marked.

The meeting hall should be decorated appropriately for the occasion. This may include the use of banners, flags, charts, and other items that help to give the meeting a "co-op" atmosphere.



BUILDING UP THE PROGRAM

A well-balanced program for the annual meeting consists of three general ingredients: Business, information, and entertainment.

The business portion includes such matters as electing directors and bylaw amendments.

The information phase is made up of reports by association officials, discussion periods, and talks by "outside" speakers.

The entertainment may be musical, a talent show, or some contest in which members themselves participate. It may include a lunch or dinner.

The individuals or the committees responsible for building up the program must first decide what is to be

included under each of the three classifications. They must next decide on the order of events. In considering the above, they must keep in mind the all-important matter of timing.

Time should be apportioned so that business, information, and entertainment parts of the program do not overbalance one another. The meeting should neither drag nor run beyond a reasonable period.

A definite closing time is as important as a definite starting time. Members appreciate knowing in advance when they will be able to return home, whether it is a daytime or a night session. Adjournment time can be listed on the program.

Hence, the time allotted to each subject on the program and its particular position on the program should be carefully planned. Each speaker should be given a definite limit on the length of his talk.

Adequate time should be allowed for discussion of reports and other matters. Make use of such periods as time needed to count ballots, for reading announcements, entertainment, or presenting departmental or special reports.

Staging a successful annual meeting, like any other event in which a large number of people participate, requires a certain amount of showmanship. Showmanship is nothing more than holding the interest of a group or a crowd. Some of the fundamental factors to be kept in mind can be summarized in three simple "don'ts."

Don't deaden the meeting by confining it exclusively to business and information.

Don't let it drag by including too-lengthy speeches or too-tedious reports, or by leaving empty gaps when nothing is happening.

Don't overcrowd the schedule and necessitate omitting something toward the end, cutting the time for members' questions or running overtime.

PLANNING BUSINESS PROCEDURE

The business portion of the annual meeting includes all matters that the bylaws specify must be voted upon by members. It covers election of directors,

any changes in articles of incorporation, bylaws, or marketing agreements, and acceptance of reports. Also, it includes balloting on any policy matters which the directors may place before the members for action.

Procedure for amending the association's papers is set forth in the bylaws and requires advance notice and other legal requirements.

Procedure for nominating directors is usually defined in the bylaws. If not, it should be determined by the directors when planning the meeting.

In general, electing directors includes these two steps: (1) Nominating and (2) voting. As in other association affairs, however, a period of discussion may be introduced profitably to encourage members to think in terms of "the best man for the job" rather than in terms of "which of my friends would I like to see elected."

HANDLING THE NOMINATIONS

If nominations are made by a nominating committee, the board should appoint the committee far enough in advance of the meeting to give time for careful and wise selection of nominees with due consideration for geographic representation.

An advantage of a nominating committee is that the members have time to seek out men considered outstanding in their knowledge of the association; their interest in its affairs; and their experience, integrity, and tact. Also the committee can ascertain in advance the candidate's willingness to serve.

One problem of a nominating committee is the possible charge that the election is being "railroaded." There is less basis for such a complaint if the nominating committee is broadly representative of the membership and if it presents at least two strong nominees for each vacancy. Members find little interest in an election that is cut and dried.

To avoid the feeling that elections are manipulated, nominations additional to those of the nominating committee should be called for and sufficient time allowed to receive them.

In some local associations all nominations are made either by written ballot or orally from the floor. The danger in relying entirely on these methods is that the

best ability in the organization may be inadvertently overlooked.

VOTING ON NOMINATIONS

Even the process of voting calls for planning. In most associations voting is done by written ballot. This frees members from outside influence or embarrassment.

Generally, it is best to have ballots printed in advance showing the nominees' names and providing space for possible writeins. Ballots may be accompanied by short statements about each candidate. A good idea is to publish names, photographs, and qualifications of the candidates in the membership publication preceding the annual meeting. Just before the balloting, each candidate should be introduced.

A tellers' committee can distribute and count the ballots. It should see that voting is conducted in accordance with the bylaws. Also the secretary of the association should preserve the ballots for a reasonable period.

As soon as the counting is completed, the chairman announces the results. This may be followed near the end of the meeting by a short installation service and brief remarks from each of the new directors. Retiring directors and the losing nominees deserve an expression of appreciation.

RESOLUTIONS AND AMENDMENTS

Voting on resolutions and bylaw changes should have a definite place on the agenda.

Usually, any proposed amendments will be initiated by the board of directors. Prior publication of the exact wording together with reasons for the proposed changes are desirable, and often required. This prepares members to vote with intelligence and dispatch.

If the voting is handled in an orderly and parliamentary manner, time allotted to proposed resolutions need not be long. Appointment of a resolutions committee paves the way for careful consideration and wording of all resolutions. The committee can help screen out trivial or ill-advised items.

PLANNING INFORMATION FEATURES

The informational part of the meeting includes: (1) Talks by association officials, (2) financial reports, (3) discussion periods, and (4) talks by "outside" speakers.

Reports and exhibits should bring them up-to-date on affairs of their association and conditions under which it operates. Moreover discussions which properly follow should give them opportunity to offer suggestions, comments, and questions.

Although annual reports are matters of business information, they should also be informational in an interpretative sense. A treasurer's report, for example, might properly consist of a simple operating statement and balance sheet. However, to present a clear and accurate picture of what the figures mean, some graphic illustration or interpretation is needed.

The president's or the manager's report, by the same token, too is a simple recitation of the past year's operations. It will be more worthwhile if it also includes a discussion of the organization's aims and objectives, its operating policies, changes, accomplishments, problems, and unmet needs.

If handled right, the annual meeting presents an ideal opportunity to develop cooperative understanding and a desire for further cooperative action. The starting point may well be a reiteration of the principles of cooperation and a cards-on-the-table approach to the facts about cooperatives.

The informational portion of the annual meeting should be the meat of the program as far as members are concerned.

TALKS BY ASSOCIATION OFFICIALS

Two questions must be decided: Who is to speak? What subjects are to be covered? The number of speakers is limited by the warning "Don't load the program with association officers to the exclusion of other features."

If more than one officer is to speak, they should get together to plan the ground each is to cover. Some points may be so important they deserve mention by every speaker. Many others will bore the listeners if

repeated in detail. Furthermore, it is embarrassing to the second speaker to discover that part of his subject has been covered by the first.

If boundaries between subjects are clearly defined, two speakers talking 20 minutes each will probably hold the attention of listeners better than one speaker talking for 40 minutes. An unusually effective speaker may warrant an exception.

FINANCIAL EXPLANATIONS

The financial statements may be presented by the manager, treasurer, or other officer, depending on who is best equipped for the job. Some associations also arrange to have an auditor present.

Regardless of who has the assignment, the report should be prepared and presented carefully. Ordinarily, a statement of income and expense and an up-to-date balance sheet are included. Operating costs should be fully explained and compared with those of the previous year. Assets, liabilities, and net worth items should be similarly discussed and compared. Any significant changes should be pointed out and explained.

Moreover, the effectiveness of the financial report depends as much upon the manner in which it is presented as upon its contents. Too often a good report loses significance because members are unable to follow the speaker and grasp the meaning of what he says.

This happens for two reasons. First, the average person is not familiar with the form of such reports nor with many of the terms commonly used in accounting. Terms such as "accrued assets," "fixed liabilities," and "reserves for contingencies" often leave him cold. They need to be explained in simple language.

Second, many reports are read too rapidly and contain poorly organized material. More graphic illustrations and fewer words can remedy this situation.

Assets sometimes need to be presented in terms of "what the association owns" and liabilities in terms of "what the association owes." Ordinarily, it isn't enough to point to a figure and call it "depreciation." The speaker needs to go further and discuss the rate

at which the costs of certain assets are being written off and to explain why this is considered good business practice.

Because of the nature of the financial report, the speaker must deal in terms of figures. However, to stand before a group of people and read, one by one, items on an operating statement or balance sheet is not an effective way of presenting this type of information. It goes in one ear and out the other.

It will help considerably if members can have before them a copy of the operating statement or balance sheet being discussed. A chart in front of the room, large enough for all to see, may be used. Data can be put on a slide and projected on a screen. Also, printed copies can be distributed to the members.

Individual items on the financial statement are often more significant when compared with certain other items. For example, the amount of money spent for salaries and wages has little significance except when compared with total volume of business transacted.

Loss from bad debts does not mean a great deal unless we know how much business was done on credit.

Repairs for machinery and equipment mean most when we know how much machinery was being used.

The figure representing "total assets" is not of much significance when it stands alone. The important things to know are how much of these assets does the association actually own and how much represents borrowed capital?

DISCUSSION PERIODS

Allotting reasonable time for discussion is an important principle of good annual meeting planning.

Discussion may be encouraged in numerous ways. A first step is to reserve definite periods on the program for discussion. Another is to develop the atmosphere: "This is your meeting; we value your suggestions and questions."

Some leading cooperatives are using the workshop technique with excellent results. This is how they do

it. When the members move into the dining hall for their luncheon or dinner they find each table accommodates six. During the meal each group selects a spokesman and agrees on some topic or question they would like to hear discussed by a panel of the management staff.

Or they may divide into smaller groups during the regular meeting period and come up with questions.

At the subsequent session officials and board members sit on the stage. A moderator then refers each question to the appropriate person for explanation or discussion.

These workshop discussion groups give members a chance to get things off their chests. Moreover, the fact that six people must have agreed on a question before it is submitted helps eliminate trivial items and improve the quality of those asked.

Referring each question to the departmental head directly responsible for that phase of the cooperative's operation means it will get the best attention possible. It also gives members a chance to become better acquainted with key employees of their cooperative.

A variation of the above is to arrange for a panel of selected individuals to discuss some timely topic. This is a good way to bring key cooperative leaders before the meeting. Under the guidance of a good chairman, such a panel discussion can be highly informative.

After members of the panel present their ideas and exchange points of view, the topic can be discussed from the floor. In this manner, participation by members is further encouraged.

TALKS BY OUTSIDE SPEAKERS

Guest speakers frequently address annual meetings. Such talks may fall under the category of "entertainment" as well as "information."

If the guest speaker is well-known or holds an important position, his presence may add prestige to the association in the eyes of the members. His appearance on the program may also help to get out the crowd.

Guest speakers, therefore, may be invited for their own sake, for the message they have, or for both reasons. They need not be prominent if they have a valuable contribution to make.

A prime consideration when deciding who to invite is the prospective speaker's understanding of the economic and political climate in which the cooperative operates. Also, the encouragement and enthusiasm he can bring to the association should be considered. The speaker should be sympathetic to association objectives.

Whatever the reason for inviting the guest, terms of his coming should be clearly stated. He may be assigned a subject or given some latitude, as the planning group thinks best. He should be given a time limit. If he is not familiar with the group he is to address, background information helps.

Valuable as a guest speaker may be, he should not be regarded as a substitute for other rightful parts of every annual meeting program. The main feature should always be active participation of members in the business of their associations.

PLANNING ENTERTAINMENT ITEMS

Good entertainment is an important ingredient for a successful annual meeting. Like seasoning on food, it makes the whole affair more attractive. It helps bring out some members and their families who might not attend. It puts the audience in a more receptive mood.

Business details and informational talks require mental concentration. Most people cannot concentrate over long periods -- their attention wanders. Therefore, it is wise to vary the program at intervals by entertainment.

Entertainment need not be costly, elaborate, or professional, but it ought to be "good."

ANNUAL LUNCHEON OR DINNER

The best entertainment of all, in the opinion of many people, is a meal--whether it be a lunch, a dinner, or simply refreshments at the end of the meeting. A meal, of course, involves some specialized planning and is best delegated to an individual or committee with no other responsibility.

Unless the meal is extremely simple, it involves knowing in advance the approximate number that will attend. Members must be contacted before the meeting by mail, telephone, or in person. This calls either for reservations or for issuing tickets. This is a job that requires a good deal of work, but it insures smooth functioning later.

MUSICAL SELECTIONS

Local soloists, duets, quartets, bands, or orchestras fit well for brief interludes on any program. They can be worked in at almost any time. Good orchestral or organ music helps set the stage for the meeting while members are assembling. Similarly, group singing and "exercise" songs help liven up the crowd. A good song leader can contribute immensely to the program.

TALENT SHOWS

Local talent show programs have special appeal to family audiences. Many associations prefer local talent rather than professional entertainers. Important sources of such local talent are the community high schools, little theater groups, church choirs, barbershop quartets, and civic orchestra groups.

QUIZ CONTESTS

Another type of entertainment well suited to a co-operative meeting is one in which the members entertain each other. This includes question boxes and quiz contests. Such contests can be educational as well as entertaining if questions selected relate to the association and its operations.

Here again, planning in advance is essential. The master of ceremonies must not only have his contest material ready, he should also have a few bellwethers in the crowd primed to pick up cues and help put the meeting across. Games in which everyone participates can be used either to begin or to climax and wind up the meeting.

MOTION PICTURES

Motion pictures can be used with success. Usually they are best toward the end of the meeting. For maximum effectiveness each film should be introduced with

a brief explanation of its purpose and followed with a short discussion.

Important sources for educational films are American Institute of Cooperation, the 12 district offices of the Farm Credit Administration, the State Extension Services, the State Departments of Education, and the State Councils of Farmer Cooperatives, as well as a number of the larger cooperatives.

WOMEN'S ACTIVITIES

Women play an important role in the family farm firm, and many cooperatives recognize this by giving them an equally important role at the annual meetings.

At most successful annual meetings, women take part in such activities as registration, housing, hospitality, entertainment, and serving the annual luncheon. Many cooperatives have seen how much smoother these details are handled by a responsible committee that includes women.

Moreover, when women participate in planning the program, it is more likely to include educational and entertainment items of interest to women and youth. Women can often help recruit talent that provides variety and human interest.

As an attraction to members' wives, a number of cooperatives arrange educational tours, luncheons, teas, art exhibits, fashion shows, and other events of special interest to women. These call for special planning. They should be timed to conflict as little as possible with the main meeting.

A number of cooperatives provide nursery and child care facilities for small children so mothers can attend.

YOUTH ACTIVITIES

A number of cooperatives include special features on their annual meeting programs to interest young people, the future cooperative leaders. Often these cover one or more of the entertainment features mentioned. In other instances, youth delegates who attend the State Cooperative Council meeting or the annual

summer conference of the American Institute of Cooperation may relate their experiences.

Young people are often an important part of the annual program itself, as speakers, or taking part in panel discussions, team demonstrations, or other group activities.

PROFESSIONAL ENTERTAINMENT

A wide variety of professional entertainment is available for those willing to pay for it. This includes comedians, magicians, acrobats, and dozens of other kinds of entertainers. Generally the greater the audience's opportunity to participate, the better. The entertainment committee should make it a point to be pretty sure of the contents and caliber of the program beforehand. This precaution will avoid booking acts that are unsuited for family audiences.

MIXING BUSINESS WITH FUN

In addition to entertainment, some cooperatives make the annual meeting the occasion for distributing patronage dividend checks or equities in the revolving capital. A number of cooperatives have carried this a step further and provide on-the-spot facilities for cashing the checks, dramatizing what would otherwise be a routine business procedure.

ARRANGING FOR "PROPS"

An annual meeting requires certain paraphernalia to dress it up and to keep it moving. Assembling these odds and ends is a job in itself and may well be entrusted to a "property man." He should be in on planning from the start so he can list and secure necessary items.

These may include everything from pencils and paper for voting, to charts, diagrams, and projectors to illustrate talks. "Props" include programs, tickets, name tags, and any other printed or typewritten material. They include a gavel, ash trays, water, and other items. Some of these may be obtained on short notice, others may take days or weeks to prepare.

GETTING OUT THE CROWD

Getting members to attend the annual meeting may or may not be something of a problem. If previous meetings have been spirited, entertaining, and worthwhile, members usually respond with little urging. If not, more effort will be required.

In either case, planners must decide what it will take to draw a good crowd. It may be a meal, a good discussion, an important speaker, a quiz contest, or some special entertainment feature. It may be a combination of these.

Some associations develop a theme--an important or interesting question such as "Should the association build additional facilities?" or "Should membership be limited?"

Often attendance can be stepped up by making it a family affair, with something special that appeals to women and children. This is usually the practice of the cooperatives that have had outstanding attendance.

Some cooperatives have followed the plan of holding a general informational session in the morning, then providing separate activities for women and children in the afternoon while the men conduct the business items. Other cooperatives encourage wives to stay for the business sessions because of their important role as a full business partner in the farming operation.

Occasionally, associations will secure the cooperation of local merchants in putting on special sales the day of the meeting. The latter arrangement has doubtful value if it detracts too much from attendance at the meeting itself.

A number of associations give door prizes. Individuals receive numbered tickets as they arrive for drawing, often during the session and its close. Some give away "lucky number" prizes at various points throughout the meeting. This helps encourage attendance.

When the decision has been made on the program and its "drawing cards," the next step to secure a large attendance is advance publicity. Premeeting publicity may include: (1) Formal notice of the meeting, (2) correspondence, (3) posters, (4) newspaper stories, (5) radio and television announcements, and, (6) word-of-mouth advertising.

THE OFFICIAL NOTICE

Bylaws of many associations provide that notice of the annual meeting shall be mailed to each member at his last-known address 10 to 15 days in advance of the meeting. A bare statement of time and place, however, does little to stimulate interest. At no additional cost, except the expenditure of some thought, the official notice can be dressed up into a sales letter that will do a lot toward creating a desire to attend. (See Appendix, page 43.)

CORRESPONDENCE

Each letter to a member during the period immediately preceding the annual meeting can be used effectively as a reminder. Some associations incorporate one or two appropriate sentences in the letter itself; others add a postscript at the bottom. In either case, only a short statement is needed. For example: "It looks as though we will have a good attendance at the annual meeting this year. I hope you are planning to

come. Don't forget the date--January 16, Community Hall at Simpson, 9:30 a.m."

Small folders describing the meeting may be used as stuffers in outgoing mail. A gummed label or rubber-stamped reminder of time and place may also be used on outgoing letters.

POSTERS

Much interest can be created by posters playing up the program. These can be displayed at the cooperative's offices, on its trucks, in store windows, and at other places. The art classes in high schools frequently are willing to cooperate in a poster contest with small awards and will make their entries available for display.

NEWSPAPER STORIES

A story in local newspapers a few days before the meeting may help increase attendance. Most local editors are glad to get news of this kind, especially if it is well written and contains such items as date, place, and time. Names of retiring directors, nominees, speakers, and special items of interest help to build a good release.

Many associations have their meetings mentioned in local papers as many as three times before the actual day. The first mention is a natural result of the directors setting the date and place of the meeting. The second can be centered around the announcement of the principal speaker. The third gives more details a day or two before the meeting.

An advertisement in the local paper may be helpful from several standpoints, for example, it demonstrates the cooperative's support of other local enterprises.

RADIO AND TELEVISION

All that has been said about newspaper stories applies equally to radio and television publicity. Spot announcements over local stations are increasingly effective in reaching the general public. Timely interviews between the station director and the cooperative manager can build interest in forthcoming events.

This job takes some advance work. It involves the preparation of a suitable script as well as rehearsals before going on the air.

WORD-OF-MOUTH PUBLICITY

Probably the most effective form of publicity is word-of-mouth. Employees and directors may well make a point of talking up the meeting on every occasion and during every conversation with a member. Interest can be created and the individual member can be given a feeling of responsibility if he is simply asked for suggestions.

Word-of-mouth publicity can be organized to reach virtually every member by selection of a committee, or one individual in each community, to visit or telephone members. This procedure can be further stimulated by arranging a contest with small prizes for the group or locality that has the highest percentage of attendance.

ROLLING OUT THE WELCOME MAT

Most cooperatives will wish to invite various public officials, business leaders, and friends. This is excellent public relations.

The invitation list may include a wide range of cooperative and educational leaders such as State agricultural marketing specialists, the executive secretary of the State cooperative council, the State extension director, the State vocational education people, and other State and district leaders.

It may also include the local mayor, superintendent of schools, county extension agents, local teachers of vocational agriculture, the local editor, the local banker, the local ministers, and service club leaders. Not to be overlooked are managers and directors of neighboring cooperatives.

Good public relations require that written invitations be sent to guests by the general manager. Someone should be assigned to see that guests are greeted when they arrive and that they are formally recognized during the course of the meeting.

Members on arrival should also be greeted by an individual or welcoming committee. This committee strives to make every member and his family feel at home. It shows them where to place wraps and to register. It also supplies programs and identification cards and makes introductions to guests.

A good meeting takes planning, with special events ...

... business reports, and member participation in decisionmaking.

STAGING THE BIG EVENT

If planning is done well, staging the annual meeting is relatively simple. The meeting, in fact, is largely "made" before it begins.

There remains, of course, actual conduct of the program. This calls for a competent chairman. With well-laid plans, even a mediocre chairman can do reasonably well. But a good chairman should assure success.

Although the chairman carries chief responsibility for final effectiveness of the planning that has been done, he needs a corps of behind-the-scene aides, each knowing his job. The chairman may be compared to the captain of a team, calling signals at the appropriate time.

JOB OF THE CHAIRMAN

The presiding officer is not only captain of a team, he is also master of ceremonies and timekeeper. From the moment he calls the gathering to order until the time he announces it adjourned, everything is in his hands.

His own advance preparation should include achieving complete familiarity with the program. He should have in mind remarks to make at various points in the proceedings. He will know the names and titles of those he intends to introduce and have enough background information about them to be able to present them properly.

Some chairmen like to prepare a special program for their own use and include in it more detail than is shown in the printed program given out to the members. The example shown in the Appendix, page 44 illustrates some things that can be done in this regard.

It is the duty of the presiding officer to (1) Keep the meeting moving, (2) be fair and impartial, (3) preserve order, and (4) encourage members to participate.

A prompt beginning and adjourning on time earmarks a well-ordered meeting. An announcement at the beginning that the session will adjourn at a certain definite hour helps to put everyone at ease. When the proceedings move smoothly the audience is much more likely to remain attentive. In addition, the chairman should manage to build up among his listeners a feeling of anticipation for some of the later features of the day.

To keep a meeting on schedule requires a watchful eye. It must be done, also, without the appearance of hurrying any who are given the floor. It must be done with full recognition of encouraging discussion and member participation.

MAINTAINING FAIRNESS AND IMPARTIALITY

A successful chairman must indicate by his attitude and conduct that he desires to be fair and impartial. He must lay aside all personal preferences or dislikes and, in any discussion, give to each side an equal opportunity to present its views. Above all, he must have a good understanding of the basic rules of parliamentary procedure. (See page 48 in the Appendix far a brief discussion of the principles of parliamentary law.)

On rare occasions, of course, the chairman may wish to relinquish the chair to the vice president and express his views from the floor. In such instances, parliamentary law dictates that he shall not return to the chair until that particular matter is settled. The chairman should bear in mind, however, that he may lose his appearance of impartiality should he take sides and participate in debate too frequently.

PRESERVING ORDER

It is the duty of the presiding officer to keep order and to see that the meeting is conducted in a business-like manner. He should not permit a member to have the floor without first addressing the chair nor permit the members to talk back and forth to each other. To bring a matter before the house officially, a motion must first be moved and seconded. Discussion may then follow.

The chairman should tactfully avoid a dragged-out debate on a motion by frivolous, trivial, or immaterial discussion. Usually he can find a convenient time to break in and ask, "Are you ready for the question?"

The chairman should not permit motions to be made and seconded when they are unrelated to the business of the association. He has the right under parliamentary law to rule out of order such motions which obviously are made to obstruct transaction of the business before the meeting.

As a matter of fact, the chairman has the right to refuse to recognize or give the floor to any one bent on obstruction. If such rights are exercised tactfully and wisely, the chairman will find that he can keep the program moving on schedule and still not offend anyone.

ENCOURAGING MEMBERS TO PARTICIPATE

As already stated, the most satisfactory meeting from the standpoint of the member is one in which he himself takes part. Not every member, of course, can be given a place on the program. However, members should be encouraged to ask questions and to express opinions before a vote is taken on special problems of the association.

Likewise, the members should have an opportunity to exchange view points on the association's operating policies and discuss plans for the future operation of the organization.

This type of participation in the program gives management a better understanding of various points of view.

If members are hesitant about entering into the discussion, the chairman may wish to invite comment with questions as: "We have heard from several of the older members regarding this question, now what do some of

you younger fellows think about it." Or, "I don't believe we have heard from anyone in Lewis County on this matter; what do you men think about it?"

JOB OF THE SECRETARY

The secretary of the association should record the annual meeting happenings. These cover highlights of the program and details of the business meetings--among other things, electing directors, policy decisions, and bylaw changes. The secretary is in a sense a historian.

To catch all of these details, the secretary may need a stenographer to help him. Where circumstances warrant, tape recordings may be made of the proceedings so it is possible to transcribe portions later.

With a little insistence on the part of the chairman and the secretary, most major motions can be made in writing. This results in better-considered motions and makes it easier for the secretary to record proceedings accurately.

Normally, the order of business includes reading a concise set of minutes of the previous annual meeting.

JOB OF VARIOUS COMMITTEEMEN

How well the meeting succeeds will depend in a large measure on how well various committeemen carry out their assigned tasks.

Many of these committees will need to operate in full swing on annual meeting day. Others will be well over the hump by the time the opening gavel sounds. All will get a measure of satisfaction in seeing their efforts contribute to the day's success.

Eoch key chairman should make sure that all is in readiness and his responsibilities completed. Each should make known his whereabouts and stand ready to respond to last-minute additional calls from the general chairman. Little things quietly done make the difference between a good meeting and a poor one.

Finally, when the meeting is over, each key chairman should see that all properties are returned and that all who helped are thanked for their services. Also, anything learned should be preserved or passed on to guide similar committees in future years.

AFTER THE MEETING

Even after the meeting, some things can be done that will add to its effectiveness. These include: (1) Preparing newspaper stories and publicity on what was said and done, (2) a followup message to the members, (3) sending thank-you letters, and (4) appraisal of the meeting.

NEWSPAPER STORIES AND PUBLICITY

Newspaper stories on the annual meeting provide an opportunity for a cooperative to sell itself to the general

public. For this reason a news article, to be most helpful to the association, should have a strong lead--facts or figures reported at the meeting or some outstanding statement of one of the speakers.

It should also include such information as time and place of the meeting, who presided, number attending, a brief resume of the program, names of prominent persons, and a list of the new directors.

FOLLOW UP REPORT TO MEMBERS

A summary of what happened at the annual meeting is important both to members who attended and to those who were absent. For those who attended, it helps pull together highlights of the meeting. For those who were absent, it is an essential step in keeping them informed. Since many associations do well to have 25 or 30 percent of their members attend an annual meeting, it is particularly important that there be a good followup message to all.

One of the best ways to disseminate highlights of an annual meeting is through the cooperative's regular member publication.

Other ways this information can be brought to the members are through local meetings, radio and television interviews, and mimeographed letters, or news stories.

THANK YOU LETTERS

Immediately following the meeting some associations send a letter to each person who had a part in the program to thank him for his assistance. This builds good will for the association and shows these persons that their time and effort was appreciated.

APPRAISING THE MEETING

Soon after the meeting is the best time to size up the program as a whole and to appraise its strong and weak features. This is a good time to lay the groundwork for next year's meeting. Officers and directors should get together as soon as possible to talk about the effectiveness of the meeting and possible changes for another year.

APPENDIX A

APPENDIX B

APPENDIX C

APPENDIX D

APPENDIX E

A.--CALENDAR OF THINGS TO DO

A Checklist to Aid in Annual Meeting Planning[1]

_____ (Name of cooperative)

_____ (Meeting date)

Check when done	Things To Do _____ (Date) (At least five weeks before)	Whose job? (Fill in name)
_____	1. Hold annual meeting planning conference. Include several women and older youth in planning group and special committees.	_____
_____	2. Appoint committees for such major jobs as program, nominations, reception, and resolutions.	_____
_____	3. Settle on date and place of meeting. Check to avoid conflicts. Reserve meeting hall.[1]	_____

[1] The above checklist, is intended primarily as a guide. Each cooperative may wish to prepare its own list, including only those items that are applicable. In some cases, arrangements for a meeting hall and extending invitations to principal speakers may need to be done more than 5 weeks in advance. Some large associations set the date and arrange for a meeting hall a year in advance.

_____ 4. Invite special speaker and get his acceptance.[1] _____

_____ 5. Plan entertainment and make sure it is available. Draw on local talent, if possible. _____

_____ 6. Plan to serve food: Promptly, attractively, adequately. _____

_____ 7. Plan conference with auditors on scope of annual audit. _____

_____ 8. Set up a budget for the meeting. _____

Things To Do _____ (Four weeks before)
(Date)

_____ 9. See that each special committee understands its work and is functioning. _____

_____ 10. Have a brief summary of annual report printed. _____

_____ 11. Prepare annual meeting notice for mailing to members and press. Address envelopes. _____

_____ 12. Complete guest list. Plan to recognize key officials, old members, new members, and friends. _____

_____ 13. Invite local Vo-Ag classes, 4-H clubs, and other youth groups to the annual meeting. _____

_____ 14. Line up public address system, projectors, and other equipment. _____

_____ 15. _____ _____

Things To Do _____ (Three weeks before)
(Date)

_____ 16. Notify members of annual meeting in accordance with bylaws. _____

_____ 17. Send news item to local papers and radio stations, giving program highlights. Put advertisement in papers. _____

_____ 18. Prepare charts showing growth in volume, refunds, etc. _____

_____ 19. Arrange for co-op banners and signs. _____

_____ 20. Plan merchandise and educational displays. _____

_____ 21. Order programs and literature needed. _____

_____ 22. _____ _____

Things To Do _____ (Two weeks before) Whose job? (Fill in name)
(Date)

_____ 23. Check arrangements for food--estimate probable number. _____

_____ 24. Post notices with date, place, and time for meeting. _____

_____ 25. Mail letters to special guests, including the press. _____

_____ 26. Send additional news to local papers and radio stations. Include background of speaker, etc. _____

_____ 27. Check with secretary on minutes of last annual meeting and roll call. _____

_____ 28. Have reminder notices printed and addressed. _____

_____ 29. _____ _____

Things To Do _____ (One week before)
(Date)

_____ 30. Mail reminder notices to all members. _____

_____ 31. Check with committees to make sure that nothing has been overlooked. _____

_____ 32. Prepare meeting agenda CAREFULLY. _____

_____ 33. Notify speakers and entertainers when each is to appear on the program, and for how long. _____

_____ 34. Notify reception committee to be on hand early. Make sure they are instructed to seat latecomers properly. _____

_____ 35. Arrange for reporters and photographers. _____

_____ 36. _____ _____

Things To Do _____ (Day before meeting)
(Date)

_____ 37. Check meeting place for heat, light, ventilation, chairs, tables, _____

registration facilities, ballots, pencils, chalk, blackboard, electric outlets, rest rooms, etc.

____ 38. Put up co-op banners and posters. Create the "co-op meeting" atmosphere. _____

____ 39. Erect merchandise and educational displays. _____

____ 40. Remind local editor that he is invited. _____

____ 41. Check with photographer regarding pictures desired. _____

____ 42. _____ _____

Things To Do _____ (Day of meeting)
(Date)

____ 43. Check the auditorium for temperature, ventilation, and general physical comfort. Know where to find extra chairs if needed. _____

____ 44. Give final instructions to reception and registration committees. Assign places to ushers. _____

____ 45. Check to see that meal arrangements have been completed. _____

____ 46. Supervise those to whom responsibilities have been delegated. _____

____ 47. Begin on time, stay on time, close on time. _____

____ 48. _____ _____

Things To Do _____ (Day after) Whose job?
(Date) (Fill in name)

____ 49. Clean up premises and return borrowed equipment. _____

____ 50. Make report to local newspapers and to co-op's editor. _____

____ 51. Send roundup report to all members giving the annual meeting highlights. _____

____ 52. Send thank-you letter to key individuals who participated. _____

____ 53. Invite members and employees to appraise meeting and to suggest improvements. _____

____ 54. _____ _____

B.--ANNUAL MEETING NOTICES

This annual meeting notice, mailable on a pastal card, has the advantage of brevity:

> Farmville, Va., April 1, 19
>
> Dear Member:
>
> The annual meeting of the Farmville Farmers Exchange will be held Saturday, April 10, 9:30 a.m. sharp at the Farmville High School. You are urged ta attend.
>
> Cooperatively yaurs,
>
> GENERAL MANAGER

But this one is much more likely to create interest and help bring out the crowd.

> January 16--Mark It an Your Calendar!
>
> That's the date for the annual meeting of the Simpson County Farmer Cooperative--and we know you'll want to attend! The meeting will be held in the Community Hall and will start promptly at 9:30 a.m.
>
> An exceptionally fine pragram has been arranged--plenty of entertainment, worth-while speeches, and interesting reports. Music by the "Old Grey Mare Band."
>
> A copy of the printed "timetable" of the various events is enclosed. Yau will note that Dean Janes from the State College will be with us again. The Dean's talks are always good. His subject this year is "Haw to Build a Better Co-ap." Yau owe it to yourself ta hear him.
>
> The Auditor's report will be streamlined and madernized through the use of charts, maps, and diagrams. Yaur association has just completed ane of the most successful seasans in its history. Mr. Brawn will tell you where the money came from and how it was distributed.
>
> These are only two of the many interesting features. There will be plenty af time for discussing the assaciation's problems. Come prepared to take part. Now is the time to bring up those questions that you have had in mind concerning the association and its aperations.
>
> P. S.--Don't forget the date. January 16, Community Hall at Simpsan, 9:30 a.m. We'll be laaking for you.

C.--DETAILED PROGRAM FOR CHAIRMAN

10:00 o.m. Coll the meeting to order promptly.

1. Ask everybody to stand ond join in singing "The Star-Spongled Banner."

2. Invocotion.

3. Welcome members.

   (o) Ask those who ore ottending their first onnuol meeting to roise their hands high, their second, their third, their fourth, their fifth, and those attending their sixth to stond. Ask for opplause.

   (b) Express pleasure to see visitors (such os the county ogent, the moyor, the chomber of commerce secretory). Introduce them. Indicote our oppreciotion of their interest in our ossociation ond their cooperotion with us.

4. Stote purposes of the meeting.

   (o) To report to members on the general ond financiol offoirs of their ossociation.

   (b) To elect two directors for 3 years to fill the two expiring terms.

   (c) To give members an opportunity to express their views regording the ossociotion ond moke suggestions for improvement.

   (d) To give the members on opportunity to become better ocquointed with the directors, officers, employees, and each other.

5. Mention briefly the progrom for the doy.

   (o) The moin feotures of the morning progrom. (1) Address by Deon Jones; (2) Report to Boord of Directors; (3) One-Act Skit by 4-H Club Members.

   (b) Time and ploce of lunch (12:00 in basement of this building).

   (c) Moin feotures of ofternoon program. (1) Annuol Business Report; (2) Committee Reports; (3) Election of Directors.

(d) Time of adjournment (promptly at 4:30 p.m.).

6. Appoint Miss Harris to take minutes of the meeting.

7. Have the secretary read official notice of the meeting. Order the notice and affidavits filed with the minutes of the meeting.

8. Have the secretary read the minutes of the last meeting.

   (a) Ask if there are any corrections or additions. If none, state that the minutes will stand approved as read.

10:30 a.m. Introduce Dean Jones:
Dean of State Agricultural College--keenly interested in cooperatives--relationship between college and this association--work done at college.

After address call on Miss Smith for vocal solo.
Express our appreciation for her kindness in appearing on the program.

11:00 a.m. Present the Board of Directors' report, using the outline previously prepared.

1. Ask the other members of the board of directors whether they would like to add anything to the report.

2. Call on the members for questions concerning the report.

11:30 a.m. Announce 4-H Club Skit.

12:00. Make announcements regarding luncheon and the afternoon program.

1. Lunch will be served immediately in the basement of this building. The ushers at the rear of the room will direct you to the basement.

2. After lunch we will reconvene in this room and start the afternoon session promptly at 1:15 p.m.

The afternoon session will be the business session. It is important that as many members as possible be present.

Afternoon Program

1:15 p.m. Call the meeting to order.
Announce that the meeting will be adjourned promptly at 4:30 p.m. and urge the members to remain until that time.

Call on the manager to present the Annual Business Report. Just before the manager starts his report announce that a panel of four members have been selected to ask questions after the presentation of his report, and the financial report which is to follow.

(a) Ask the panel members selected to please come forward and occupy the chairs provided here in front.
(b) Introduce the members of the panel--C. R. Worth, B. K. White, G. W. Green, and Bill Barnes.
(c) Mention that panel members were given copies of the two reports in advance of the meeting so that they would be prepared to ask questions that would interest those attending the meeting.

1:45 p.m. Call for financial report by Mr. Blank, Treasurer.

2:15 p.m. Call for the panel questions.

1. When panel members finish asking questions on the report, ask audience if they have any other questions they would like to ask before we proceed to the next order of business.

2. When discussion of questions asked is completed, call for a motion to accept the reports as presented.

3. Order report filed with minutes of meeting.

2:45 p.m. Announce that the next 45 minutes will be given over to committee reports.

1. Call on Mr. Ortz to report for the committee that was appointed to study the advisability of building a new warehouse.
   (a) Ask what action the members wish to take on this report.

2. Call on Mr. Laws to report for the committee on "Dividend Policy."
   (a) Ask what action the members wish to take on this report.

3. Call on Mr. Abbot to report for the membership committee.
   (a) Ask what action the members wish to take on this report.

4. Ask whether there is any other unfinished business to come before the meeting.

3:30 p.m. State that we are now ready to elect two directors for a 3-year term.

1. Explain the importance of the election.
   (a) It is the members' opportunity to exercise control over their association by electing the men they feel are best qualified to represent them.
   (b) Every member has only one vote regardless of the amount of stock he owns so every member is on an equal voting basis.
   (c) We want this to be a very democratic election with everyone taking part and asking any questions they care to.

2. Indicate that the two directors whose terms expire are A. M. Johnston and C. J. Casto.

3. Indicate how the nominating committee of three members was selected. The members of this committee are Howard Franklin, James Hall, and John Johnston.
   (a) Mention that nominating committee was instructed to inform the members of the qualifications they considered a director should have and the basis on which they selected their nominees.

4. Call on Mr. Franklin, chairman of the nominating committee, to make the report of that committee.

5. Call for any nominations from the floor. Allow ample time and encourage such nominations.
   (a) The name and address of anyone nominated from the floor should be written on the blackboard and the person making the nomination asked to say a few words about experience and qualifications of the man he nominated.
   (b) After all nominations from the floor have been made or if there are no nominations from the floor, state that a motion is in order for the nominations to be closed.

6. Ask all those nominated to please come to the front so they may be introduced.

7. Remind the members that they are to vote for only two of the candidates nominated.

8. Ask the ushers to collect and count the ballots.

   Announce that the "surprise" listed on the program will be a 5-minute concert by "Smoky" Smoot and his one-man band. Call on "Smoky" to begin the concert.

   Announce the results of the election. Express to the retiring directors the appreciation of the association for their services.

4:15 p.m. Ask whether there is any other business to come before the meeting.

1. Get each proposal in the form of a motion. Ask for a second. Give time for discussion. After each vote announce whether the motion carried or failed.

2. Express appreciation for the interest members have taken in the meeting and the pleasure of having so many of them attend.

3. Ask members to give us any suggestions they have regarding this meeting and ways to improve next year's meeting.

4. Ask members to join in popular patriotic song.

4:30 p.m. Call for a motion to adjourn.

D.--PARLIAMENTARY PROCEDURE

Caaperatives have their full quota of meetings--baards af directars and membership gatherings in the main. All of them need to be canducted on a businesslike basis and fallow general rules that have developed over the years.

The president usually is chairman of the co-op meeting. Upon him lies the respansibility for keeping the meeting running smaothly and headed in the right direction. He must know how to get the meeting started and, equally important, haw and when to stop.

Before the "meeting will come ta order" call gaes out fram the chairman, he and the people assembled before him need ta understand why certain pracedures are fallawed. These reasans are based on principles of parliamentary law that are the outgrowth of long years of development of our democratic procedures.

The chairman and his audience will then need to know how to proceed--that is, the praper order of business, and how many must be present ta make the meeting binding.

Since any graup meeting is guided by a chairman or presiding afficer, it is his responsibility ta be familiar with the principles and practices of arderly and democratic group action. And if a member wishes to speak, he will feel less self-canscious if he has an idea of the carrect way to present his ideas.

PROCEDURES IMPORTANT

Let us turn first ta why we need to know parliamentary procedure. Strict knowledge of and adherence to the laws of such procedure make for a healthy, well organized and efficiently aperated cooperative meeting. Failure to observe the rules leads ta dissension, misunderstanding, inefficiency, and loss of those individual rights associated with a democracy.

Parliamentary law is designed to enable meetings to be conducted smaothly and fairly. Like ather laws gaverning social behavior, parliamentary law, as expressed in rules af order, has been develaped out of years of experience in living together and working tagether democratically and harmoniously. Since the majority rules in a democratic organization, parliamentary law is designed to aid in finding what the majority wishes and assuring that those wishes are carried out.

In special cases, organizations may have a rule calling for more than a majority vote on an issue. This could be designed to protect the minority in vital issues, but it also makes it possible for a minority to thwart the will of the majority. A person joining a democratic organization knows that in such a group the majority rules and that in joining such a group he is agreeing to abide by the will of the majority. At the same time, the minority in an organization has a right to be heard in discussions, and to oppose actions contemplated by the majority.

Every member of an organization has equal rights and privileges and in return owes the organization equal obligations. Every member may propose motions, vote, ask questions in meetings, and nominate officers.

Conversely, every member must respect the rights of other members, must take an intelligent part in the affairs of the organization, and must express himself where such expression is called for. Such expression may take the form of a vote, or perhaps participation in discussions.

In this connection, it is important that every member has a right to insist upon a complete discussion of any issue involving a decision by the group, and to take part in such discussion. In order for discussion to be fruitful, members in attendance at a meeting must know what is going on. For example, the presiding officer must make it clear to members what motion is being discussed, what its effect will be, and the manner in which parliamentary law applies to procedural motions relating to the main motion.

The presiding officer may engage in general discussions, but should be careful to observe strict impartiality. If he wishes to engage actively in debate on a question, he should turn his chair over to a vice-chairman and speak from the floor. His chief responsibility is to so conduct the meeting that parliamentary procedure is carefully observed.

Much of the business of a meeting is implemented through motions which will be discussed more in detail later. With motions as with other meeting activities, parliamentary law calls for the simplest possible method of conduct and action. If one motion can be made which will accomplish the same purpose as two or more consecutive motions, the one motion should be used.

It is the duty of the presiding officer to make sure that the simplest and most direct solutions to problems be used. Any attempt to complicate issues should be ruled out of order.

To this end, each motion before a meeting must be considered separately. When a question is being considered, the presiding officer may only entertain (permit) a motion having higher priority. This is because there is a precise

order of priority for motions, based on their relative importance.

ORDER OF BUSINESS

The program for a meeting is called the order of business. In organizations operating in accordance with a written constitution or bylaws calling for a definite sequence of business, the order can be changed by motion to suspend the rules. With groups not so formally organized, an established order of business may be changed by unanimous consent.

If a change of the usual order of business will enable the meeting to proceed more efficiently and expeditiously, such a change should be made. The order of business of any meeting, be it a board or committee meeting, general member meeting or convention, is designed to aid, not hinder, the conduct of the affairs of the group. It is a tool, not a master. As a general rule, the following order of business is a good one to use:

1. Call to order. The presiding officer calls the meeting to order by some suitable announcement such as: "Will the meeting please come to order."

2. Invocation or prayer. If an invocation or prayer is to be said, the chairman calls upon someone present. Courtesy dictates that the person chosen to give the invocation be consulted prior to the meeting so that he will be prepared when called upon.

3. Roll call. The chairman may next ask the secretary to call the roll, especially if it seems necessary to assure the presence of a quorum. A roll call is not mandatory, but may be desirable, depending upon the circumstances.

4. Minutes of the previous meeting. The presiding officer next calls upon the secretary to read the minutes of the previous meeting. Corrections or additions are then called for, following which the chairman may declare the minutes to be approved as read, or as corrected, or may entertain a motion to that effect.

5. Reports. Following the reading and approval of the minutes, the chairman may call for committee reports.

6. Old business. Next comes any unfinished business. The chairman should declare that "unfinished business is now in order." It is the chairman's responsibility to have a record of any old business, which may include motions postponed from previous meetings as well as matters set up in the agenda for the meeting in question.

7. New business. At the conclusion of unfinished business, the chairman then calls for new business, saying "New business is in order." If nothing is brought up by those present, but the chairman knows of matters which

call for action, he should so state, and ask members if they care to make any motion on the matters suggested.

8. Announcements follow the conclusion of new business, coming first from members and last from the chairman.

9. Adjournment. When announcements have been completed, and the presiding officer has made sure that no further business needs to come before the meeting, or perhaps that time is running out, should call for a motion to adjourn.

The motion to adjourn takes precedence over all other motions, requires a second, is not debatable, must have a majority vote, and must be put to a vote immediately after it has been made and seconded. If the motion to adjourn carries, the presiding officer must declare the meeting adjourned. The meeting is not officially adjourned, however, until the announcement is actually made by the presiding officer.

Step number 3 above mentions the roll call as a method of establishing whether a quorum was present. A quorum is the number of members, or the percentage of total members in good standing, who must be present at the meeting in order for it legally to transact business. A meeting at which a quorum is not present should not be called to order except to vote to adjourn to another meeting time. A quorum is not required to vote to adjourn.

In many organizations the requirements for a quorum are set out in the bylaws.

In organizations which find it difficult to persuade members to attend meetings, the quorum may be set very low. Those organizations whose membership is apt to fluctuate may find it to their advantage to set the quorum at a percentage of the total membership, say one-fourth or one-fifth. Some organizations provide that the members present at any meeting, regardless of their number, shall constitute a quorum.

Lacking any written provision, parliamentary law holds that a simple majority of the members constitutes a quorum.

If a member at a meeting feels that a quorum is not present, he has a right to ask for a roll call, and the presiding officer must order the secretary to call the roll.

MOTIONS AND RULES FOR DISCUSSING THEM

Making motions and then talking them over before voting are important parts of a business meeting. The how-to is important, also, to be sure standard meeting procedure prevails. First we will take up motions.

Motions are the tools used to bring up the formal business ota meeting. Motions are of two basic kinds: (1) Those calling for some kind of action--for exomple, "I move that the XYZ Cooperotive purchose one-holf-ton pickup truck," and (2) those putting the orgonization on record as expressing some sentiments or opinion--for exomple, "I move that this cooperotive odopt the following resolution: 'Resolved: that XYZ Cooperotive is in fovor of taking an active port in Nationol Farm ond City Week.' "

This is the woy to present o motion. The member wishing to moke the motion rises ond oddresses the presiding officer, using his officiol title or simply saying, "Mr. Chairmon" or "Madam Choirman." The presiding officer then colls for o second to the motion, unless it hos olreody been seconded, saying, "Is there o second to the motion?"

Following the seconding of the motion, to moke sure thot everyone hos heard it ond that the secretary has it properly recorded in the minutes, the presiding officer restates the motion os follows: "It hos been moved ond seconded thot - - - - - - Is there any discussion?" After the restatement by the presiding officer, the members moy discuss it ond then vote.

The presiding officer must exercise greot care to observe parliomentory low opplying to motions. A motion moy be made only after the lost speaker hos finished his remarks, yielded the floor, and the presiding officer hos recognized the new member. He does this by oddressing the rising member by his nome, if it is known, or by some other ocknowledgment which will make it cleor just who is being recognized.

Where severol members simultaneously wont to be recognized, the order of preference for recognition moy be os follows: The member who explains a proposol should hove the first opportunity to offer o motion. The member who hos not engaged in the discussion should be recognized ahead of one who hos olreody spoken. The member who rarely speoks should be recognized before the member who is constantly on his feet. The member who is opposed to a proposition should be given on opportunity to follow one who is in fovor of the proposition.

As o generol rule, after a motion hos been mode it must be seconded by another member, who need not woit for recognition from the presiding officer. This requirement is bosed on the theory thot o motion must be of interest to at least two members of on orgonizotion if it is to be ollowed to toke up the time of the group.

If there is no second, even ofter the presiding officer hos restoted the motion and hos colled for o second by soying, "Is there a second to the motion?" he should state: "The motion is lost for lock of o second."

FOUR MOTIONS

Four classes of motions are used in meetings, and they must be voted upon in a definite order of preference.

Main motions are those which formally state and bring business before a meeting. "I move that XYZ Cooperative buy a pickup truck," is an example of a main motion. Main motions are voted upon last in the order of precedence.

Subsidiary motions amend or in some way alter the disposition of main motions, and must therefore be considered and voted upon ahead of the main motion to which they apply. An example of a subsidiary motion would be, "I move to insert the word 'half-ton' before the word 'pickup'," or "I move that the purchase of a pickup truck be referred to the finance committee."

Incidental motions must be acted upon before subsidiary or main motions in the order of precedence and usually involve such matters as rules of order and the rights of members. For example, if the presiding officer entertains an amendment before a previous amendment has been acted upon, a member may rise and say, "I rise to a point of order. There is already one amendment pending." The chairman would agree and rule the second amendment out of order.

Privileged motions have the highest priority, and must be acted upon ahead of any other motions which may be pending. The three privileged motions in the order of their priority are: (1) to adjourn, (2) to recess, and (3) personal privilege.

For example, a member may interrupt a speaker to say, "Mr. Chairman, I rise to a point of personal privilege. The light on the stage is shining in our eyes and we are unable to see the demonstration." It is the duty of the presiding officer to attend to the matter at once, since it involves the immediate comfort or right of a member.

As a general rule, when a member has been recognized by the chairman and given the floor--that is, the right to speak--he may not be interrupted.

However, there are a few instances where a speaker may be interrupted by another member wishing to make a motion which by its nature is subject to a time limit or which requires immediate attention. For example, a motion to reconsider a vote must be made at the same meeting at which the vote was taken, or the next business day if the meeting is part of a convention program. If the motion to reconsider is not made within the time limit specified above, it may not be made at all.

In the same way, a motion requiring immediate attention, such as a question involving personal privilege (the light shining in the member's eyes, for example) or a question

involving a point of order or parliamentary law, may interrupt the speaker.

With the exception of the motion to reconsider a vote, or to appeal a decision, of the presiding officer, the motions which may interrupt a speaker do not require a second.

Most motions are subject to discussion and debate before they are voted upon. Exceptions to this rule are motions which deal with procedure. Since rules of order and parliamentary law carefully outline procedure for meetings, motions involving procedure can be decided without debate.

Motions can be amended whenever it is possible to vary their form, or wording, without upsetting the central thought. For example, "I move that XYZ Cooperative purchase a pickup truck" could be amended to read "I move that XYZ Cooperative buy a half-ton pickup truck."

It would not be permissible to amend this motion to provide for the purchase of something other than a pickup truck. The proper procedure would be to dispose of the original main motion by vote, and then introduce a new motion covering the additional or alternate purchase.

EVERY MEMBER CAN TAKE PART

One of the most important rules of parliamentary law is that every member of an organization has the right to take part in any discussion of business matters at meetings. This is not to say that every member must speak. But if a member wishes to enter into debate on an issue, he must be given an opportunity to be heard.

Fully debatable motions include main motions, motions to amend, to appeal, and to postpone indefinitely. As mentioned previously, a few motions, those involving matters of parliamentary procedure, are not debatable. Debate on a few others, such as a motion to refer a main motion to a committee, is limited to matters like powers and personnel of the committee, and may not involve the merits of the main motion.

Certain rules for debate insure an intelligent and orderly discussion. A member wishing to discuss a motion rises when the previous speaker has finished his remarks and addresses the chairman, saying, "Mr. Chairman," and waits to be recognized. As with the original motion, the chairman recognizes him by some phrase which will make it clear to all who is being given the floor (recognized), such as "Mr. Smith," or "the member in the aisle seat in the fourth row."

Having been recognized, the member wishing to speak has the right to be heard as long as he likes, so long as he conforms to the rules of debate. These rules are:

1. The member's remarks must pertain to the question being debated. If he wanders off the subject the chairman

must ask him to confine his remarks to the pending question.

2. The member's remarks must be impersonal. The motion being considered, not the member who proposed it, is the subject for debate.

3. The member's remarks must be orderly and courteous. Rude language is sufficient cause for the chairman to refuse the offending member further right to the floor.

4. The presiding officer must assure that the member holding the floor is being heard. He must insist that the members listen to what is being said, and must not allow any irrelevant discussian.

5. When all who wish to speak have spoken the chairman brings the question to a vote by saying "Is there any further discussion?" If there is none, he then puts the question to a vote.

Even after part of the vote has been taken, if a member wishes to discuss the questian he has that right. Should such an event occur, the entire vote must be taken over again. Only when the chairman has announced voting results is debate on a question finally closed.

VOTING, NOMINATING, AND KEEPING MINUTES

Under standard meeting procedure come the duties of voting, nominating, and keeping minutes. The presiding officer is on hand ta see that these activities are carried aut according to convention. First we will discuss voting.

VOTING

It is a fundamental principle of parliamentary law that the will of the majority rules in a demacratic organization. That will is expressed by vote. But there are a number of different concepts af what canstitutes a majarity. Majority is defined as being "the number greater than ane-half." Sa any number in excess of 50 percent is a simple majority. The problem is to determine "50 percent of what?" All the members? All the members present? A quorum? The total votes cast?

Most organizations operating with a set of bylaws specify in the bylaws the requirements for a quorum. It is a good idea for the bylaws also to define the word "majority" as applied ta that organization. In the absence af specific definitions, over 50 percent of the members of an arganizatian constitutes a quorum, and over 50 percent of a quorum canstitutes the majority required to take action binding on the organization.

For certain important decisions, such as amending the bylaws, many organization bylaws require a majority vote greater than a simple majority, say 75 percent of the total membership.

In the case of a tie vote the presiding officer may cast the deciding vote, unless he has already voted.

Where there are more than two alternatives, or more than two candidates to be chosen from, it is possible to have a plurality but not a majority vote for one of the issues or candidates. A plurality would be a total of votes greater than any one of the others received, but not greater than the combined votes received by all the others. Unless the organization bylaws permit it, a plurality is not sufficient to pass a motion or elect a candidate.

There are several means by which a vote may be taken. The most common is the voice vote. Here the chairman calls first for the affirmative (in favor of) vote, "All those in favor of this motion please say 'aye,' " and then calls for the negative, "All those opposed please say 'no.' " The chairman decides whether or not the motion has passed on the basis of the relative volume of voices voting.

If the results of a voice vote are uncertain, the chairman may call for a show of hands, or for a rising vote. "Will all those in favor of the motion please rise," and have the secretary count the number voting for and against.

Still another method of voting is the roll call vote. Here the secretary calls the roll and records the "yes" or "no" vote of each.

If it is desired to keep the voting secret, it may be done by ballot.

Regardless of the method of voting used, a member may change his vote up to the time the chairman has announced the results.

The chairman always announces results when voting is completed. If it has been a voice vote the chairman will say, "The ayes (or noes) have it. The motion is carried (or lost)." If some member questions the voice vote he may call for a division of the assembly (an actual count of the affirmative and negative votes) in order to determine more accurately the voting of the members.

If the vote has been by ballot or roll call, the chairman must announce the number of votes, reading the affirmative vote first, "The vote is: for--25; against--20; the motion is carried." Both in taking a vote and in announcing the results, the affirmative vote comes first.

NOMINATING

Nominations of candidates for offices and committees of an organization may be made by any member present at a meeting where nominations are in order or may be made in the form of a report of a nominating committee.

There are a number of advantages to using a nominating committee. Prospective candidates can be interviewed ahead of time to see if they are willing to serve if elected. Their qualifications can be checked. Where different groups exist, or different areas are represented within an organization, the nominating committee method makes it possible to spread officers evenly among the various groups or areas.

The chairman opens nominations at a meeting by saying, at the proper time, "Nominations for the office of _____ are now in order." If there is a nominating committee, the chairman at this time will call for the committee report. The report of the nominating committee constitutes nomination of those persons named in the report for the various offices to be filled.

The chairman then asks for any further nominations for each office in turn from the floor (the rest of the members present at the meeting) and adds these names to the names presented by the nominating committee.

If there is no nominating committee, of course all nominations come from the floor. To make a nomination from the floor a member rises, is recognized by the chairman and says, "I nominate Mr. X for----------(president, secretary, or another office)." Nominations do not require a second.

As each nomination is made the chairman should repeat the name so that every one present knows who is being nominated. Then the secretary records it.

When the chairman feels that no more nominations will be made for an office, he says, "Are there any other nominations for the office of----?" If there are none, he proceeds to open nominations for the next office, and so on until there are nominees for all the positions to be filled.

In voting, members do not have to vote for nominated candidates, but may vote for any member who is eligible, except when voting is by voice vote.

Some meetings do not go through the formality of nominating candidates when voting is done by ballot. Without benefit of formal nominations, members vote for the eligible member of their choice for each vacant position.

Unless provided for otherwise in bylaws, a simple majority of all votes cast is necessary to elect a nominee to office. Lacking such a majority, the vote must be taken over. This could happen if there are several candidates for one office. One way to solve this problem, should it arise, would be to require that the candidate with the smallest number of votes withdraw from the race at each successive balloting.

In the absence of provision to the contrary in the by-laws, a candidate takes office as soon as elected if he is present at the meeting and agrees to accept the position, or if he is absent but has agreed to accept if elected. If he is not present and has not been consulted, his election becomes effective as soon as he has been notified and has not refused to serve.

KEEPING MINUTES

The secretary keeps the minutes of the meeting. They are a record of what took place at the meeting, and they list things done, business introduced, motions made, committee reports submitted, voting on motions.

If a vote is counted, or a roll call taken, the secretary should read the figures and names. Although the secretary may summarize reports, it is better to put in the minutes simply that the report was made, and then say the copy of the report is on file with the secretary for complete details.

Usually it is good practice for the secretary to make notes as the meeting progresses and then write up the final minutes after the meeting is over. When completed, minutes are filed in a special minutes book. They must be signed by the secretary, and kept in his possession, subject to inspection by any member who wishes to see them.

There is no place in minutes for editorializing. Such remarks as "There was a witty exchange" or "Mr. X made an excellent report" are out of place. Minutes record business, not emotions.

The opening sentence in the minutes of a meeting should include the name of the organization, type of meeting (regular, adjourned), the time, place, date, and name of the chairman.

It is good practice at each meeting to hear the minutes of the previous meeting. Minutes give continuity to a meeting, bringing the members up-to-date on organization affairs. Where the reading of minutes is deferred, this continuity is lost.

It is the duty of the secretary to read the minutes. At the proper place in the order of business, the chairman should call for the secretary to read the minutes of the previous meeting. When the secretary has finished reading, the chairman should say, "Are there any additions or corrections to the minutes?" If none are suggested, the chairman then says, "If not, they stand approved as read."

If corrections are suggested they may be adopted by unanimous consent, or put to a vote if there is a division of opinion as to the corrections suggested. After corrections

have been made the chairman may then say, "If there are no further additions or corrections, the minutes will stand approved as corrected."

After the minutes have been approved, either with or without corrections, the secretary writes "approved" at the bottom of the minutes, the date of the approval, and his name or initials.

The key person at any meeting, whether it be a board of directors, a committee, or a meeting of all the members, is the presiding officer, usually the chairman. It is his responsibility to make sure that each one present has had a chance to express himself, and at the same time see to it that the business for which the meeting was called is taken care of.

To do all those things the presiding officer must be tactful, courteous, must know all about the business of his organization, and must have a good grasp of parliamentary procedure. He must keep the discussion focused on the problem at hand, must be able to guide the meeting without coercing the members, and must be at all times impartial and impersonal.

The presiding officer has a number of duties he cannot delegate to others. He must call the meeting to order, dispose of the business at hand in the proper sequence, keep the meeting orderly. He must recognize members who wish to speak, must restate all motions to be sure that all have heard, and if possible explain the effect of the motion where uncertainty exists. He must keep any discussion centered on the problem, and must understand parliamentary law well enough to keep the meeting functioning in accordance with that law

With a presiding officer who can do all these things, meetings will be interesting, democratic, and fruitful.

E.--PUBLICITY CHECKLIST

1. 2 months before meeting . . .

   First news release. Use in co-op paper ar statewide publication. Include brief background an meeting--theme, anticipated attendance, principal speaker.

2. 1 manth befare . . .

   Second news release. Send to local papers, statewide publication. Use in ca-op paper. Enlarge an information included in first release. Include photas of last year's meeting--crowd shots, contest winners, beauty queen cantestants, entertainers, prizes awarded. In co-op paper, give instructians on how to get to meeting place, parking facilities, and perhaps a sketch af the flow af traffic within meeting area. Note lacation of registratian tables, stage, exhibit area, etc. Include special instructians for meals.

3. 2 weeks before . . .

   Send releases to local newspapers, radio, and TV stations. In addition, to straight news items, place ads with local media. Be sure your material reaches weekly papers in time far their next publishing date (usually by Friday far papers published on Wednesday). Schedule releases so weekly papers will not be scooped by dailies.

4. 1 week before . . .

   Follow procedure similar ta previaus release. Include principal speaker and the like. Make personal visits to lacal editors and broadcasters to remind them of meeting, and invite them to cover it. Try to arrange for a 2-page spread in local paper showing importance of co-ap to community, co-op members and emplayees active in civic affairs, historical backgraund of co-op, etc. If possible, provide arrangements far live TV coverage af meeting. Consult local TV and radio station personnel on possibility of obtaining public service time.

5. 2 days before . . .

   Arrange for photographic coverage of meeting. Place posters or guide arrows leading to meeting area.

6. Day of meeting . . .

   Have ready far distribution ta all news media, copies af key speeches, reparts, biographies of board candidates, background notes on important visitors, guests, and the like. Prepare capies af important resolutions that develop during meeting.

7. Day after meeting . . .

   Prepare follow-up material for lacal media, co-op publicatian. Give highlights of meeting--co-op progress reports, newly elected directors, winners of cantests, size of attendance. Include feature angles--member coming longest distance, oldest member attending, and the like. Have selection of photos to caver majar points of story.

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U.S. Department of Agriculture
Agricultural Cooperative Service

Agricultural Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

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American Farmers in the Grain Export Business

A Guide to Buying Direct

United States
Department of
Agriculture

Economics,
Statistics,
and Cooperatives
Service

Cooperative
Information
Report 22

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American Farmers in the Grain Export Business

A Guide to Buying Direct

Arvin R. Bunker
Agricultural Economist

A dynamic and growing participant in international grain trading is the American farmer himself. He has always wanted to deal directly with customers rather than with middlemen. Yet, over the years, he hasn't hesitated to use the expertise and facilities of others to extend his market. That is why, historically, he has relied primarily on international grain trading firms to move grain into foreign markets.

Times are changing.

The American farmer wants to do more export business—direct. He has the grain. But what kind of facilities and export capability does he have? This booklet will tell you.

What Farmers' Cooperatives Offer

Farmers engage in grain exporting through cooperative business organizations. These cooperatives, marketing extensions of farming operations, are strictly private enterprises. No Government subsidies are received. No cooperative acts as an agent of the U.S. Government in establishing or enforcing public policy. Cooperatives operate much like other businesses, except they are totally owned and strictly controlled by farmers.

Farmers' grain marketing cooperatives are situated in all major grain-producing areas of the United States. In 1976, a total of 2,600 cooperatives had combined grain sales of $10.6 billion.

Local area cooperatives receive about 40 percent of total U.S. off-farm sales of grain. Half of this amount is moved into

domestic and export markets through farmers' regional or interregional cooperatives.

At port locations, U.S. farmer cooperatives handle between one-fifth and one-fourth of total U.S. grain and oilseed exports.

U.S. regional grain cooperatives represent a massive farmer-owned system:

- Four interregional and 19 regional cooperatives are owned and supported by millions of farmers in 35 States.

- Grain marketing volume in 1976 totaled 64 million metric tons.

- They operate 92 inland terminal or subterminal elevators and 340 local elevators with combined storage capacity of 13.5 million metric tons.

- They have 13 port terminals with 1 more under construction to handle grain on the Great Lakes, East Coast, Gulf of Mexico, and West Coast.

- Port storage capacity nears 2 million metric tons.

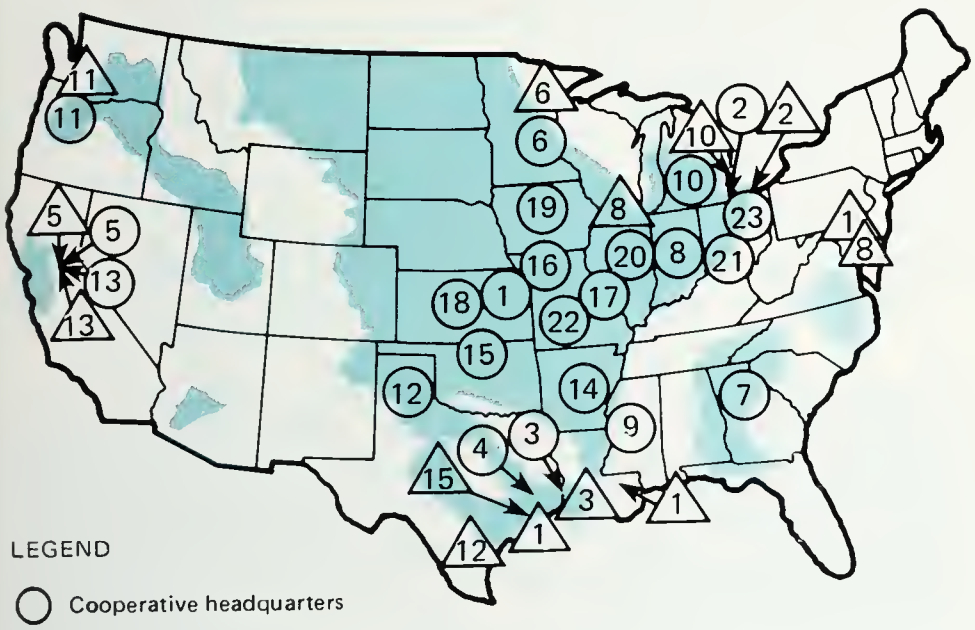
- Grains, oilseeds and products directly exported in 1976 brought $1.4 billion.

- Affiliated local cooperatives operate more than 2,500 elevators with storage capacity exceeding 33 million metric tons.

- Six cooperatives jointly own Agri-Trans Corporation, a barge line operating on the Mississippi, Ohio and Illinois rivers.

This guide tells you how to make direct contact with exporting farmers' cooperatives. It describes these cooperatives briefly and also others that are part of the U.S. cooperative grain marketing system.

HEADQUARTERS AND PORT ELEVATORS OF MAJOR U.S. GRAIN MARKETING COOPERATIVES



LEGEND

○ Cooperative headquarters

△ Cooperative owned or operated export facility

Grain producing area served through major grain marketing cooperatives

Interregional Exporting Cooperatives: Headquarters

1. Farmers Export Co., Kansas City, Kansas
2. Mid-States Terminals Inc., Toledo, Ohio

Regional Exporting Cooperatives:

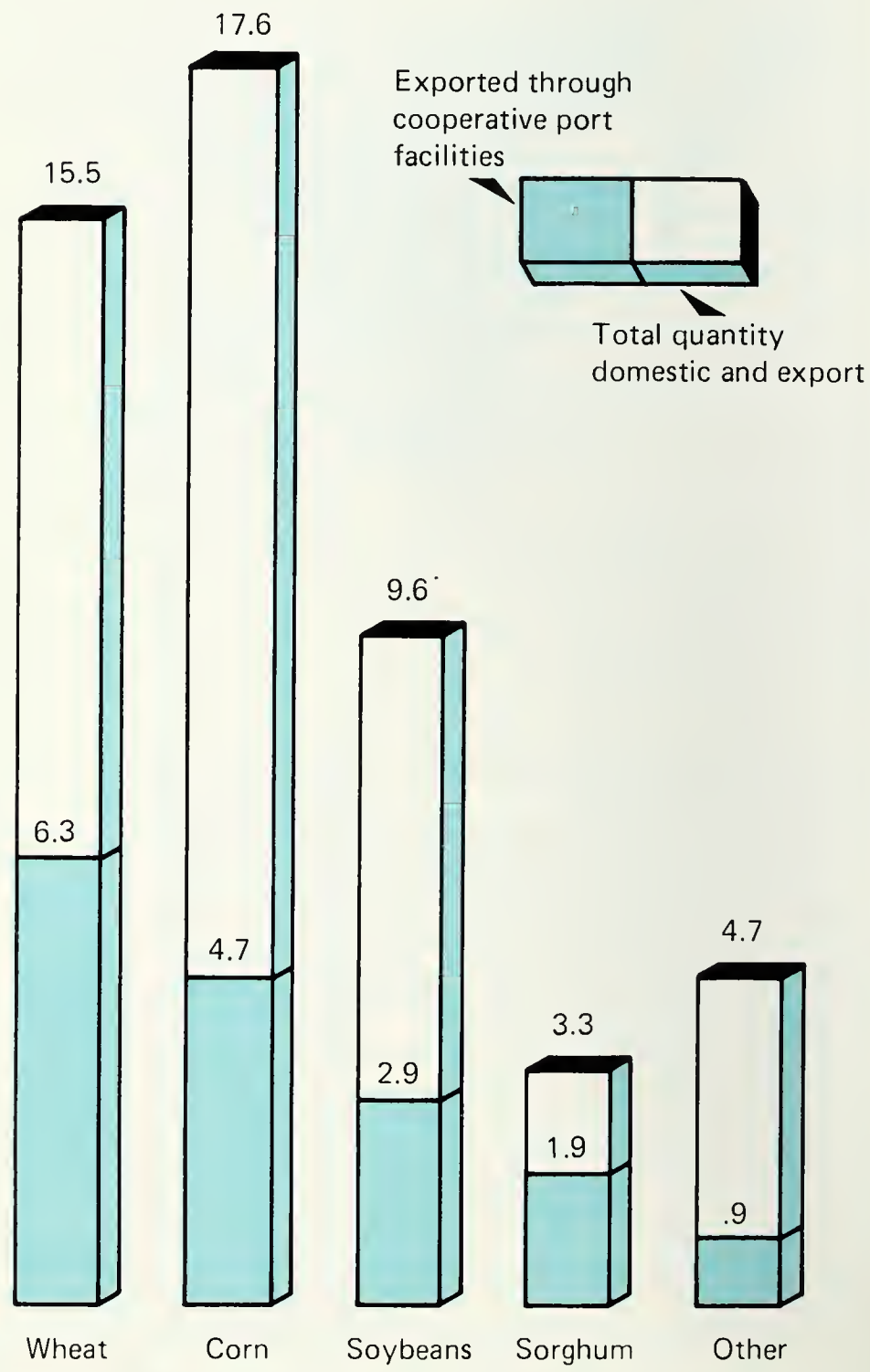
3. American Grain Association, Lake Charles, Louisiana
4. American Rice, Inc., Houston, Texas
5. Farmers Rice Cooperative, Sacramento, California
6. Farmers Union Grain Terminal Association, St. Paul, Minnesota
7. Gold Kist Inc., Atlanta, Georgia
8. Indiana Farm Bureau Cooperative Association, Inc., Indianapolis, Indiana
9. MFC Services (AAL), Jackson, Mississippi
10. Michigan Elevator Exchange, Lansing, Michigan
11. North Pacific Grain Growers, Inc., Portland, Oregon
12. Producers Grain Corporation, Amarillo, Texas
13. Rice Growers Association of California, Sacramento, California
14. Riceland Foods, Inc., Stuttgart, Arkansas
15. Union Equity Cooperative Exchange, Enid, Oklahoma

Major Interregional and Regional Cooperatives Supplying Grain for Export

16. Kansas City Terminal Elevator, Kansas City, Kansas
17. St. Louis Grain Corporation, St. Louis, Missouri
18. Far-Mar-Co., Inc., Hutchinson, Kansas
19. Agri Industries, Des Moines, Iowa
20. Illinois Grain Corporation, Bloomington, Illinois
21. Landmark, Inc., Columbus, Ohio
22. Missouri Farmers Association, Columbia, Missouri
23. Ohio Farmers Grain Association, Fostoria, Ohio

VOLUME OF GRAIN HANDLED BY PRIMARY REGIONAL GRAIN COOPERATIVES, FISCAL YEAR ENDING 1977

MILLION METRIC TONS



Interregional Exporting Cooperatives

Farmers got together first and formed local area cooperatives as direct extensions of their farming operations. Next, their local cooperatives established joint marketing operations called regional cooperatives. Some of these regionals also found mutual benefit in joining with other regionals to form interregional cooperatives to operate terminal elevators.

Two interregionals with port elevators are active in grain exporting. A brief description of their operations follows. Their member-owners are identified here but are described in following sections.

FARMERS EXPORT CO.
10880 Benson Drive, Suite 2330
Overland Park, Kansas 66210

Person to contact:

James R. Lepine
Director, Market Development

Phone: (913) 341-6880
Telex: 42-6269
TWX: 910-749-6491

Farmers Export Co. began exporting grain in the fall of 1968 through a modern export elevator at Ama (near New Orleans), Louisiana, on the Mississippi River. This federated interregional cooperative, owned by 12 regional cooperatives, was formed to export farmers' grain.

Owners of Farmers Export Co. are Agri Industries, Inc., Far-Mar-Co, Inc., Farmers Union Grain Terminal Association, Illinois Grain Corporation, MFC Services (AAL), Michigan Farm Bureau Services, Inc., Missouri Farmers Association, Indiana Farm Bureau Cooperative Association, Inc., Kansas City Terminal Elevator Company, Landmark, Inc., Ohio Farmers Grain Corporation, and St. Louis Grain Corporation.

These cooperatives annually market more than 36 million metric tons of grain through 83 terminal or subterminal elevators and more than 250 country elevators. They receive grain from more than 2,700 associated local cooperative elevators serving farmers in the major grain-producing regions of the United States.

Farmers Export Co. now owns or operates export elevators at Ama, Louisiana; Galveston, Texas; and Philadelphia, Pennsylvania. When construction modifications at the Galveston elevator and capacity expansion at the Ama and Philadelphia elevators are completed in early 1980, combined export capacity will exceed 13 million tons per year.

The cooperative maintains major sales functions at its corporate headquarters in Overland Park, Kansas. An office is maintained in Tokyo, Japan, to serve customers in that region of the world.

Products exported:

Corn, soybeans, wheat, sorghum, agricultural byproducts

Location of export facilities:

Ama, Louisiana; Galveston, Texas; Philadelphia, Pennsylvania

Loadout capacity:

Ama, Galveston, and Philadelphia—32,700 metric tons (1.2 million bushels) per 24-hour day

Draft:

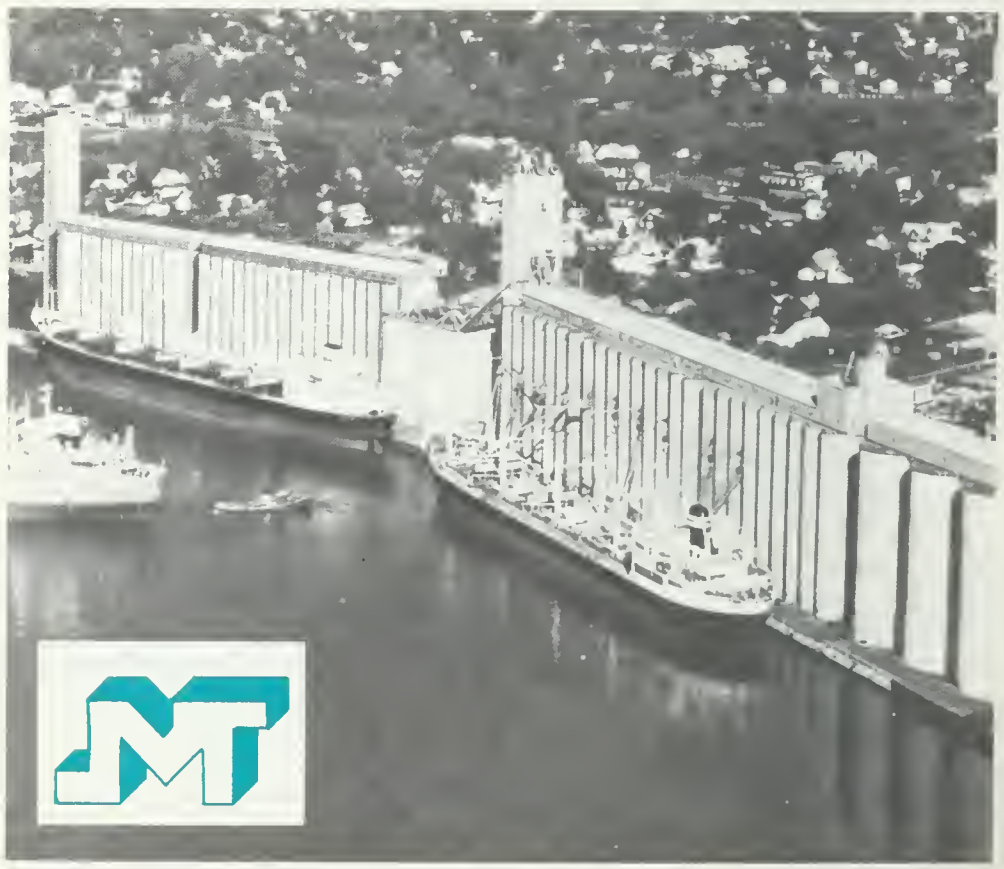
Ama and Galveston—12.2 meters (40 feet) at wharf and in port

Philadelphia—12.2 meters (40 feet) at wharf and 11.9 meters (39 feet) in port

MID-STATES TERMINALS, INC.
Box 357
Toledo, Ohio 43691

Mid-States Terminals, Inc., was established in 1959 by four regional cooperatives in three States to handle grain for export, primarily for international grain merchants. The owning cooperatives are: Ohio Farmers Grain Corporation in Fostoria, Ohio; Landmark, Inc., in Columbus, Ohio; Indiana Farm Bureau Cooperative Association, Inc., in Indianapolis, Indiana, and Michigan Elevator Exchange in Lansing, Michigan. Mid-States markets soybeans, corn, and wheat.

The export elevator at Toledo is an efficient ship-loading facility with more than 160,000 metric tons (6 million bushels) of storage capacity and is capable of handling more than 1.4 million metric tons annually. A new elevator being constructed alongside the existing Toledo facility will more than double the grain handling capability of Mid-States. The expansion should be completed by spring 1979.



Regional Exporting Cooperatives

Thirteen regional grain marketing cooperatives either export directly or own export facilities. In addition to their own exports, many of these cooperatives also supply grain for export by interregional cooperatives or by non-cooperative exporting companies. The close association of these regional exporting cooperatives with the local grain marketing cooperatives strengthens the ability of the cooperative marketing system to export grains and oilseeds.

AMERICAN GRAIN ASSOCIATION
P.O. Box 1607
Lake Charles, Louisiana 70602

Person to contact:

Tommy Burnaman
Executive Vice President

Phone: (318) 583-7891
Telex: 50-2426

American Grain Association is a producer-owned regional marketing cooperative serving the States of Louisiana and Texas. It was incorporated in 1965 to store, dry, process, and market grains and soybeans.

American Grain exports grains and soybeans through its port elevator at Lake Charles, Louisiana, completed in late 1978. This enables foreign customers to be served through the cooperative's own facilities.

American Grain maintains dealer storage agreements with local elevators in Louisiana and Texas. Thus, American Grain is capable of storing soybeans and grains for domestic and export customers over a 12-month period, making it possible to maintain orderly marketing services to foreign buyers.

Products exported:

Soybeans, sorghum, wheat, corn

Location of export facility:

Lake Charles Harbor and Terminal District, Lake Charles, Louisiana

Loadout capacity:

16,300 metric tons (600,000 bushels) per 24-hour day

Draft:

12.2 meters (40 feet)

AMERICAN RICE, INC.
P.O. Box 2587
Houston, Texas 77001

Persons to contact:

Ralph S. Newman, Jr.
Executive Vice President

Albin G. Albrecht
Vice President and General Manager

Lee Adams
Vice President, International Marketing Division

Phone: (713) 869-8241
Telex: 77-5839
TWX: 910-881-1728

American Rice, Inc., organized in 1969 by rice farmers who wanted a more efficient way of marketing their product, is a marketing cooperative organized, owned, and controlled by more than 1,700 Lousiana and Texas rice farmers. The cooperative's first order of business was to establish grading standards for rough rice. By establishing stringent standards, ARI has consistently marketed the finest quality product.

Beginning as a rice grading and market information service, ARI has grown rapidly and is now involved in all phases of rice marketing. While initially selling rough rice to mills, in 1973 ARI began selling milled rice on a limited basis. In 1974, ARI purchased the former Blue Ribbon Rice Mills of Houston, Texas. This acquisition provided a centralized facility for processing both parboiled and regular milled white rice, and involved ARI directly in all phases of processing and marketing. ARI now markets about 45 percent of all Texas rice and 10-15 percent of the Louisiana rice crop. Combined, this volume represents about 15 percent of the entire U.S. rice crop.

ARI rice products are sold throughout the world in bulk,

bags, and consumer packages under a variety of brand names. The cooperative specializes in milling, packaging, and shipping to customers' specific needs. Sales are serviced through agents and representatives located worldwide.

Products exported:

Long grain and medium grain rice, both parboiled milled and regular white milled rice, in bulk, bags, and consumer packages

Location of export facilities:

ARI does not own or lease export facilities but ships through the Port of Houston, Texas, and Port of Galveston, Texas

FARMERS RICE COOPERATIVE
P.O. Box 696
West Sacramento, California 95691

Person to contact:

John Falconer
Vice President and General Manager

Phone: (916) 371-3100
TWX: 910-367-3504

Farmers Rice Cooperative was organized in 1944 as a non-profit marketing cooperative to process and market rice produced by grower-members. The cooperative is incorporated in California and is wholly owned by about 750 grower-members.

Farmers Rice Cooperative sells California round and medium grain rice. Products sold in the domestic market include milled rice and rice byproducts. Rice sold in export markets may be bulk or packaged with varying degrees of brokens, according to specifications. Annual sales are about $50 million.

Rice mills and packaging plants are at West Sacramento and Dos Palos in California; and Catano, Puerto Rico. Drying and warehouse facilities are at West Sacramento, Dos Palos, Stegeman, and Colusa, all in California.

Farmers Rice Cooperative exports from its mill at the Port of Sacramento, West Sacramento, California, which is convenient to deep sea conventional and bulk carriers.

Products exported:

California round and medium grain rice, including brown and milled rice

Location of export facilities:

Port of Sacramento, West Sacramento, California

Loadout capacity:

Bulk—13,100 metric tons (14,000 short tons) per 24-hour day

Bagged—650 metric tons (720 short tons) per 24-hour day

Draft:

9.4 meters (31 feet) or more

FARMERS UNION GRAIN TERMINAL ASSOCIATION
P.O. Box 43594
St. Paul, Minnesota 55165

Person to contact:

Allen D. Hanson
Manager, Grain Marketing Division

Phone: (612) 646-9433
Telex: 29-7094
TWX: 910-563-3605

Farmers Union Grain Terminal Association was established in 1938 as a regional grain marketing cooperative. It is owned by thousands of individual farmers in 10 States in the North Central Region of the United States. Gross sales exceed $1 billion annually.

Grain marketed through GTA originates from more than 600 local cooperatives in North Dakota, South Dakota, Minnesota, and Montana.

GTA is involved in a number of activities other than grain and oilseed merchandising for domestic and foreign markets. Some of these other major activities include durum wheat milling; malting; poultry and livestock feed manufacturing; flax, soybean, and sunflower seed crushing; vegetable oil refining and hydrogenation; production of salad dressings, fruit preserves, syrup, peanut butter, and others; and 118 building material centers in six States.

The grain marketing division handles from 7 to 8 million metric tons of grain (250-300 million bushels) annually. About 40 percent is spring wheat and the balance is durum wheat, barley, corn, oats, soybeans, and lesser amounts of flax, rye, and sunflowers.

GTA is engaged in direct exporting as well as indirect exporting through its membership in Farmers Export Co. It has access to the St. Lawrence Seaway through its own 500,000 metric

ton (18.5 million bushel) terminal elevator at Superior, Wisconsin, and to the Gulf of Mexico ports through Mississippi River houses at St. Paul and Winona, Minnesota. Low cost barge transportation to Gulf ports is provided by Agri-Trans Coporation, of which GTA is a part owner.

Products exported:

Vegetable oils, oilseeds, oilseed meals, spring wheat, durum wheat, barley, corn, oats

Location of export facility:

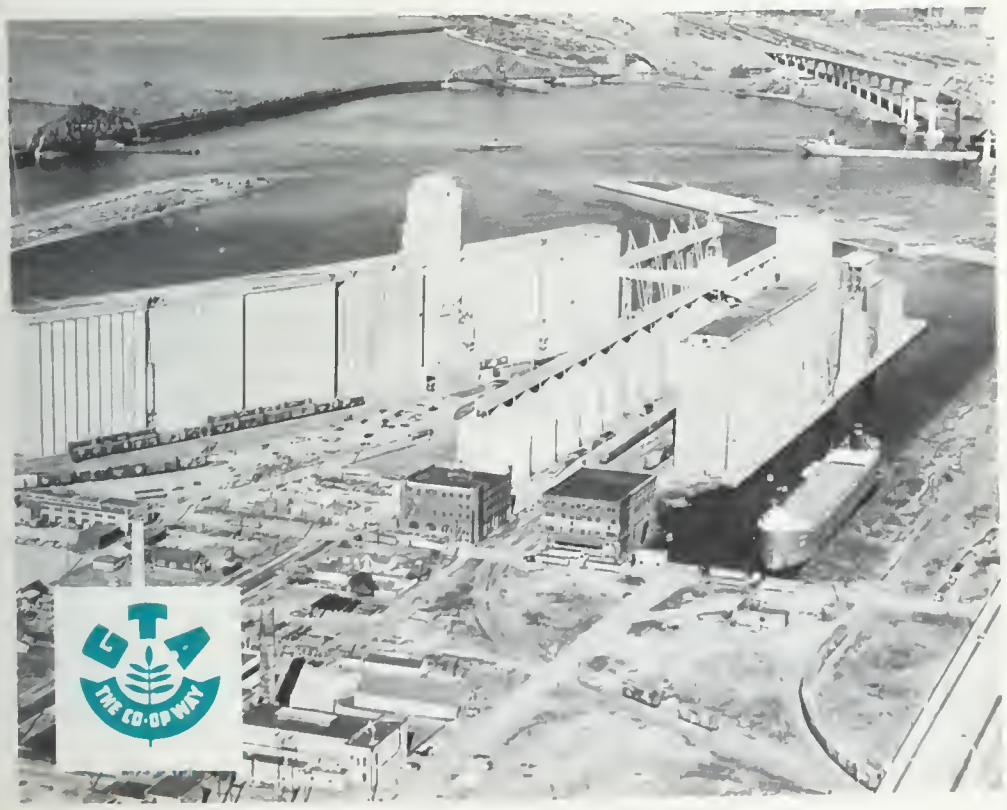
Superior Elevator, Superior , Wisconsin

Loadout capacity:

20,400 metric tons (750,000 bushels) per 24-hour day

Draft:

7.9 meters (26 feet) at wharf and at port



GOLD KIST INC.
244 Perimeter Center Parkway, N.E.
P.O. Box 2210
Atlanta, Georgia 30301

Person to contact:

Edible peanuts:

Ron Wolff
Phone: (404) 393-5031

Poultry:

Alex Stripling
Phone: (404) 393-5059

Oilstock peanuts:

John Barnett
Phone: (404) 393-5031

Meal and oils:

Pedro Montes
Phone: (404) 393-5032
Telex: 54-2338 or 70-8404

Gold Kist Inc. is a farmers' cooperative that processes and markets pork, grains, pecans, poultry, soybeans, eggs, and peanuts for its producer-members. Gold Kist also manufactures and purchases quality farm inputs including feeds, seeds, fertilizers, pesticides, animal health products, and other miscellaneous farm supplies. These farm supplies are distributed through more than 130 cooperative service agencies known as farmers' mutual exchanges.

The association was organized in Carrollton, Georgia, in 1933 as a small cotton marketing cooperative to improve the economic well-being of farmer-members by supplying products and services for farm production and by marketing farm products. In 45 years, Gold Kist has grown into a major United States farm supply and marketing cooperative with three major operating groups—agri-services, poultry, and agricommodities. Total sales the past fiscal year exceeded $1 billion.

Gold Kist has been active in export markets since its inception and exports currently represent a significant portion of total sales volume. The association is able to ship any of its products in any volume, from container loads to full cargoes. Because it has its own traffic and documentation section, it is able to sell on the basis of f.a.s., f.o.b., c. & f., or c.i.f., using both liners and charter freighters. Gold Kist, with several other cooperatives, has initiated negotiations to acquire part interest in the Alfred C. Toepfer Company of Hamburg, West Germany.

Products exported:

Edible peanuts (shelled and in-shell), oilstock peanuts, peanut meal, peanut oil, soybeans, soybean meal, soybean oil, frozen poultry, pecans, corn, and refined oils

Location of export facilities:

Gold Kist exports through the following ports: Norfolk, Virginia; Charleston, South Carolina; Savannah, Georgia; Jacksonville, Miami, Tampa, Panama City, and Pensacola, Florida; Mobile, Alabama; New Orleans, Louisiana; and Houston, Texas.

INDIANA FARM BUREAU COOPERATIVE ASSOCIATION

120 East Market Street
Indianapolis, Indiana 46204

Person to contact:

Louis M. Johnston
Manager, Indiana Grain Division

Phone: (317) 632-8391
Telex: 2-7458

Indiana Farm Bureau Cooperative Association, Inc., is a federated wholesale agricultural cooperative providing production inputs and marketing services to Indiana farmers. Established in 1926, the cooperative is today controlled by nearly 100,000 farmers through ownership of 75 local Farm Bureau cooperative associations. Operating divisions include: grain marketing, crops, livestock and poultry, petroleum marketing, petroleum refining and exploration, farm and building supplies, and wool marketing. Annual sales approach $1 billion.

Through the cooperative, Indiana farmers own or have interest in export facilities on the Great Lakes, East Coast, and Gulf of Mexico. Gateway Terminal Elevator in Chicago, Illinois, provides more than 200,000 metric tons (7.5 million bushels) of storage capacity and access to foreign markets through the St. Lawrence Seaway. Locust Point Export Elevator in Baltimore, Maryland, has more than 100,000 metric tons (3.8 million bushels) of storage capacity and provides access to foreign markets from the East Coast. The Locust Point Terminal receives grain shipped by rail and truck primarily from the Midwest. Indiana Farm Bureau Cooperative also has ownership in Mid-States Terminals, Inc., in Toledo, Ohio, and in Farmers Export Co., with a terminal at Ama, Louisiana.

Indiana Farm Bureau Cooperative markets more than 4.5 million metric tons (165 million bushels) of grain and oilseed annually. About 75 percent of the wheat and more than 60 percent of corn and soybeans move into export markets.

Indiana Farm Bureau Cooperative, with several other cooperatives, has initiated negotiations to acquire part interest in the Alfred C. Toepfer Company of Hamburg, West Germany.

Products exported:

Wheat, corn, soybeans

Location of export facilities:

Gateway Elevator, Chicago, Illinois; Locust Point Elevator, Baltimore, Maryland

Loadout capacity:

Chicago—39,200 metric tons (1,440,000 bushels) per 24-hour day

Baltimore—16,300 metric tons (600,000 bushels) per 24-hour day

Draft:

Chicago—8.2 meters (27 feet) at wharf and in port

Baltimore—Locust Point Elevator 11.6 meters (38 feet); in Baltimore Port—12.2 meters (40 feet)

MFC SERVICES (AAL)
P.O. Box 449
Jackson, Mississippi 39205

Persons to contact:

David B. Shoaf
Export Manager

William T. Duke
Assistant Export Manager

Phones:

(601) 948-7272 (central switchboard)
(601) 969-9279 (international department)
Telex: 58-5410
TWX: 810-966-2676
Cable: ABI/MFC

MFC Services (AAL), a federated farm supply and marketing cooperative, was organized in 1923 to purchase farm supplies for member cooperatives in several Mississippi counties.

MFC now has more than 137 member cooperatives in Mississippi, Louisiana, and Alabama. Assets total about $128 million and annual sales $450 million. MFC has expanded its operations from cooperative purchasing to include strong commitments in manufacturing, processing, storing, and marketing of agricultural commodities. The cooperative is a member of and supplies soybeans for export through Farmers Export Co.

MFC is most proficient in poultry and egg production and processing, manufacturing of livestock feeds, and distributing a full range of products used in production of field crops, including chemicals, fertilizers, and seeds.

MFC's goal is to provide producers with quality products and dependable services, to offer efficient and economical processing and marketing services, and ultimately enable such producers to realize a reasonable return.

Through Agri Business International, MFC extends these goals worldwide. In 1975, MFC's board of directors approved the establishment of Agri Business International as the international marketing division of MFC. ABI's primary purpose is to develop

profitable international markets for products produced and/or distributed by MFC, and to prepare a market for future increased production. ABI also markets products not normally sold by MFC but that can be obtained and sold along with MFC products.

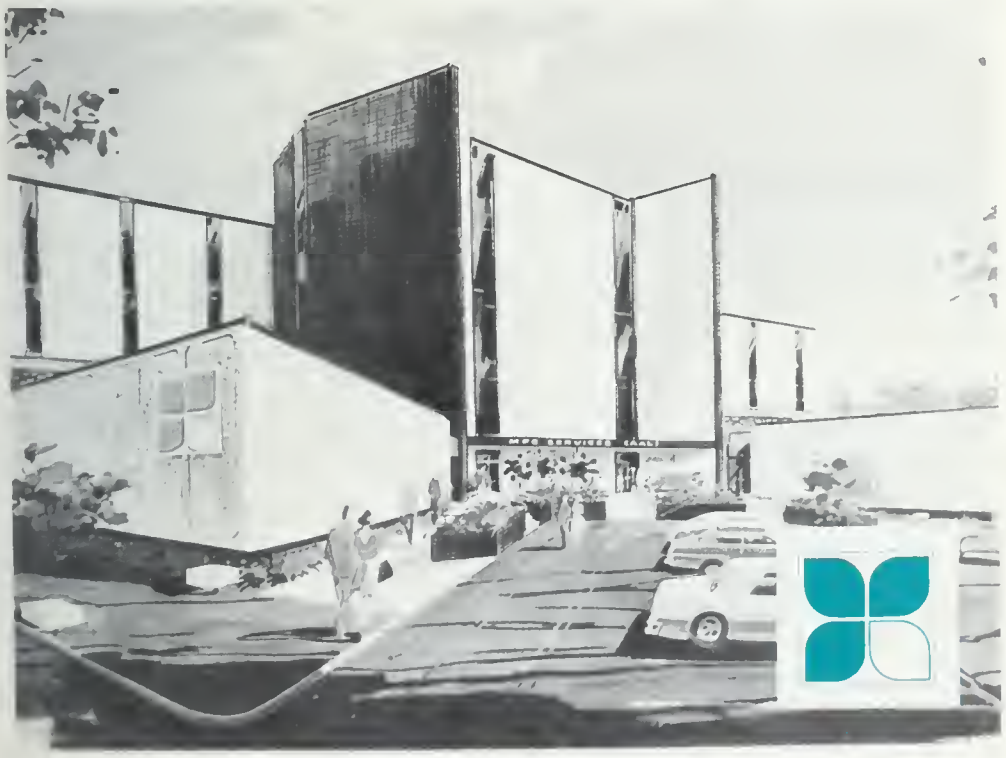
In the first year of operation, ABI had sales of $1.6 million, mostly from livestock feed and frozen poultry produced by MFC and processed food products from outside sources. Sales now exceed $13 million annually.

Products exported:

Frozen poultry and eggs, egg products and shell eggs, livestock feeds and feed ingredients, rice, frozen meat products, grocery products, fertilizers, chemicals, and seeds

Location of export facilities:

Although MFC does not own or lease port facilities, it has loading arrangements at the following ports: New Orleans and Lake Charles, Louisiana; Mobile, Alabama; and Gulfport, Mississippi. Other ports can be used with special arrangement.



MICHIGAN ELEVATOR EXCHANGE
FARM BUREAU SERVICES, INC.
P.O. Box 30328
Lansing, Michigan 48909

Persons to contact:

Edward R. Powell
Vice President, Assistant Secretary

Donn E. Kunz
Manager, Grain Department

Phone: (517) 321-5191
Telex: 22-9449
Cable: MICHELEX

Michigan Elevator Exchange was incorporated in 1921. Its first members were 45 local cooperative elevators that invested $16,000 to provide themselves with a central grain and bean marketing cooperative. Today, Michigan Elevator Exchange sales exceed $177 million annually. It provides marketing services to more than 100 cooperative elevators.

In its early days, Michigan Elevator Exchange was only a jobber, purchasing cars of grain and beans from stockholders and reselling to end users. In the late 1940's, the cooperative embarked on an expansion program and in 1950 began construction of its first terminal elevator near Toledo, Ohio. This elevator now has more than 160,000 metric tons (6 million bushels) storage capacity and has facilities for loading trains for export.

In 1962, Michigan Elevator Exchange merged with Farm Bureau Services.

In 1963, a grain terminal and bean processing plant was constructed on the Saginaw River near Saginaw, Michigan. This facility has the ability to load trains or ships with bulk grain and cull beans as well as load containers of beans for rail shipment directly to United States or Canadian ports for loading on ships.

In 1964, a soft wheat flour mill was purchased at Quincy in southern Michigan to provide farmers with an outlet for their wheat, and to move closer to marketing direct to the consumer.

Marketing agreements between Michigan Elevator Exchange and local cooperatives help assure a supply of quality beans for both domestic and export customers. Local elevators combined with elevators owned by the Exchange provide the best

processing equipment available in photo-electric sorting devices, gravity separators, and cleaning equipment.

At present, Michigan Elevator Exchange directly exports dry edible beans. Shipments can be made either in bagged or bulk-loaded containers or in break bulk vessels from all United States and Canadian ports. The cooperative also has substantial quantities of cull and split beans for export. These can be shipped either bagged or bulk-loaded on vessels from the Saginaw plant.

Michigan Elevator Exchange also originates grains and oilseeds for domestic and export destinations. Grains and oilseeds for export are marketed through East Coast elevators, through Mid States Terminals, Inc., in Toledo, Ohio, through its own terminal at Saginaw, Michigan, and through Farmers Export Co.

Products exported:
Dry edible beans including navy, pinto, cranberry, dark red kidney and light red kidney beans

Location of export facilities:
Saginaw, Michigan. Beans in containers can be shipped from any United States or Canadian port

Loadout capacity:
At Saginaw, for grains—16,300 metric tons (600,000 bushels) per 24-hour day

Draft:
6.7 meters (22 feet)

NORTH PACIFIC GRAIN GROWERS, INC.

1 S.W. Columbia, Suite 600
Portland, Oregon 97258

Person to contact:

R.K. Bauer
Executive Vice President and
Chief Operating Officer

Phone: (503) 221-1660
TWX: 910-464-1539

North Pacific Grain Growers, Inc., organized in 1930, is a regional federated marketing cooperative concentrating primarily on the export of grains produced in the Pacific Northwest. The regional cooperative is owned by 47 local grain cooperatives that represent some 20,000 farmer-producers in Oregon, Washington, Idaho, and Utah.

The Pacific Northwest is an extensive and efficient grain production region. With more than 90 percent of its wheat crop leaving the region, the marketing and transportation systems are primarily oriented toward export markets. North Pacific Grain Growers has developed a logistics system to efficiently move grain from local cooperatives to the Kalama export elevator. This system includes the truck and rail-serviced subterminal elevator at Spokane, Washington, and the truck, rail, and barge-serviced subterminal elevator on the Columbia River at Kennewick, Washington. The Kennewick subterminal not only provides services typical of inland subterminals, but also provides supplemental capacity conveniently available to the Kalama gateway because barge transit time from Kennewick to Kalama is only 30 hours.

North Pacific Grain Growers exports primarily soft white wheat. The Kalama elevator is a modern and efficient ship-loading facility. The dock alongside the plant is 183 meters long and

contains seven loading spouts to minimize the need to shift vessels during loading. Adequate water depth is available to accommodate any ship that can cross the bar into the Columbia River.

Products exported:

Soft white wheat, hard winter wheat, hard spring wheat, durum wheat, barley

Location of export facilities:

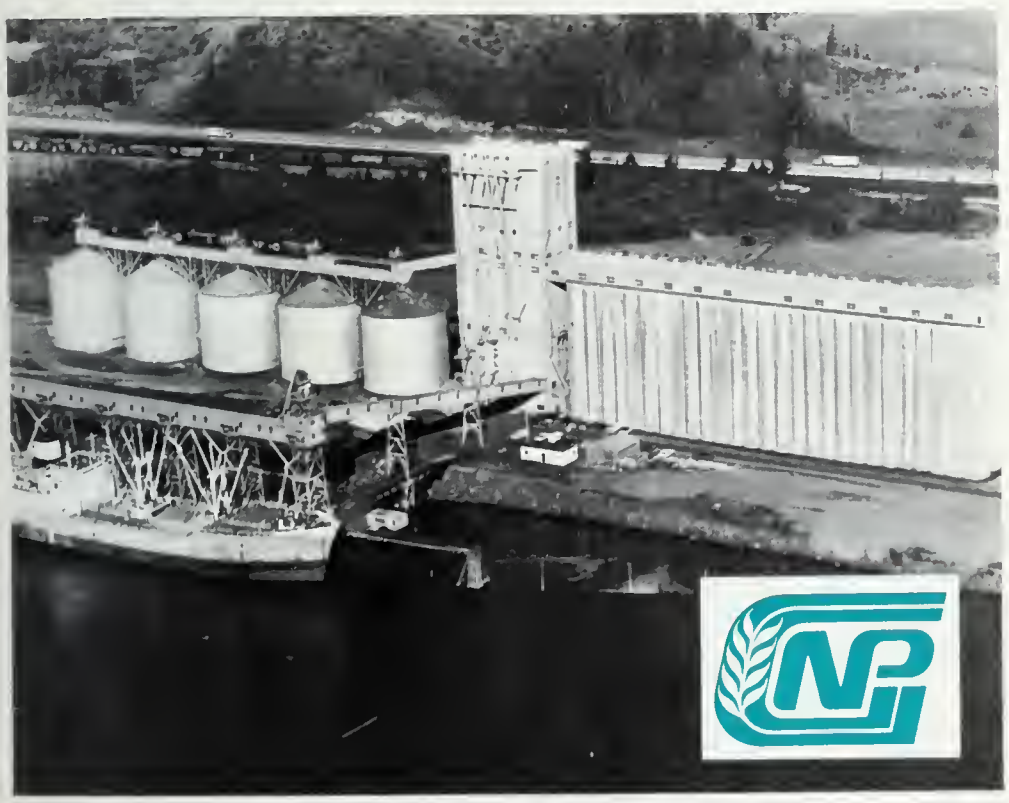
Kalama, Washington

Loadout capacity:

32,600 metric tons (1.2 million bushels) per 24-hour day

Draft:

12.2 meters (40 feet)—Draft at Kalama dock exceeds draft at the entrance to the Columbia River



PRODUCERS GRAIN CORPORATION
P.O. Box 32390
Amarillo, Texas 79120

Persons to contact:
George W. Jones
Vice President, Marketing

Glen Brooks
Merchandiser

Phone: (806) 374-0331
Telex: 73-8446

Foreign offices:

John R. Brown
Manager
Producers International, Inc.
127, Blvd. Salah Bouakouir
Algiers, Algeria
Phone: 64-17-40
Telex: 936-52349

Home residence of Mr. Brown:

36 Rue de L'Athenee
Apartment 21
1206 Geneva, Switzerland
Phone: 46-53-88

Producers Grain Corporation is a regional grain marketing cooperative established in 1938 by 29 local cooperative elevators. Today, the cooperative has more than 170 local cooperative members in Texas, Oklahoma, Kansas, New Mexico, Colorado, Nebraska, and Arizona.

In addition to grain merchandising for domestic and export markets, Producers Grain is a leader in the custom cattle feeding industry. A major cattle feed yard is near Plainview, Texas, and a smaller feed yard is near Amarillo, Texas.

Producers Grain Corporation has inland grain terminals at Amarillo (two), Lubbock, Plainview, and Fort Worth, Texas, with a total storage capacity of 844,000 metric tons (31 million bushels). An export terminal at Corpus Christi, Texas, has storage capacity for 163,000 metric tons (6 million bushels), and dockage space of 275 meters (900 feet).

In 1970, Producers International, Inc., was established to market products the parent cooperative was not chartered to sell. These sales, on a brokerage basis, have included commodities such as durum wheat and dried beans, as well as various foodstuffs on a contract sale basis.

Producers International is also involved in several technical assistance programs, principally in Algeria, but also in Sudan Iran, Zambia, and Mali. An office is maintained in Algiers.

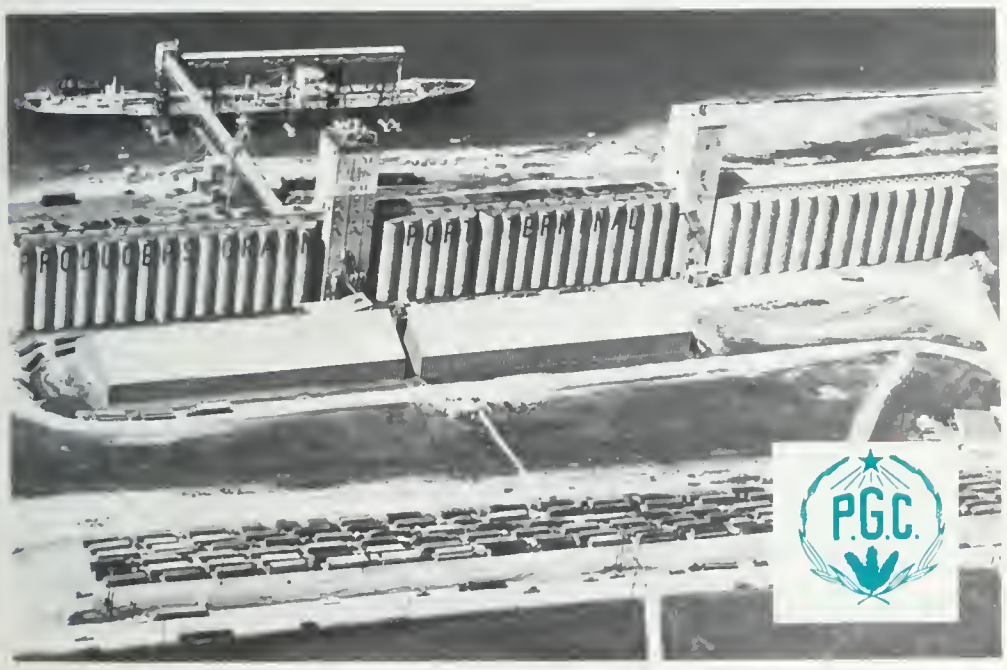
Producers Grain has been active in export markets since 1958. It was the first United States cooperative to introduce a long-term grain supply contract with a foreign agricultural cooperative. This agreement with Zen-Noh in Toyko is now in its 11th year and volume is growing larger every year.

Products exported:
Wheat, sorghum

Location of export facility:
Corpus Christi, Texas

Loadout capacity:
27,200 metric tons (1 million bushels) per 24-hour day

Draft:
12.8 meters (42 feet)



RICE GROWERS ASSOCIATION OF CALIFORNIA
P.O. Box 958
Sacramento, California 95804

Person to contact:

R.W. Freeland
Executive Vice President

Phone: (916) 371-6941
TWX: 910-367-3565

Rice Growers Association of California is a rice milling and marketing cooperative owned by several thousand California rice growers. Its membership produces more than one-half of the rice raised in the State. Membership production for the 1978 rice crop is estimated to be in excess of 635,000 metric tons (14 million hundredweight) of rough rice. Association members produce medium grain and short grain rice.

The Association owns five rice mills that have the capacity to mill more than 3,600 metric tons (80,000 hundredweight) of rough rice per day. The mills can produce brown rice, fully milled rice, and parboiled rice of all grades, in bulk, or in packages ranging from 2-pound consumer-size packages to 100-pound bags. The Association also operates five large rice drying and storage facilities and a milled rice packaging facility at San Juan, Puerto Rico, which packages and distributes rice in Puerto Rico.

Depending on the size of the California crop, the Association has available for export from 40 to 60 percent of its production. Large export orders, either in bulk or in bags, are shipped through the Port of Sacramento. A modern bulk rice facility under lease to the Association handles rice exclusively. Smaller shipments, usually in containers, are exported through the San Francisco Bay Area ports. Export sales are made either on an f.o.b. California port basis or on a c.i.f. basis. Due to the extensive processing and storage facilities, ships can be loaded at the full receiving rate.

Products exported:

California medium and short grain rice: brown, milled or parboiled, and in bulk or packaged

Location of export facility:

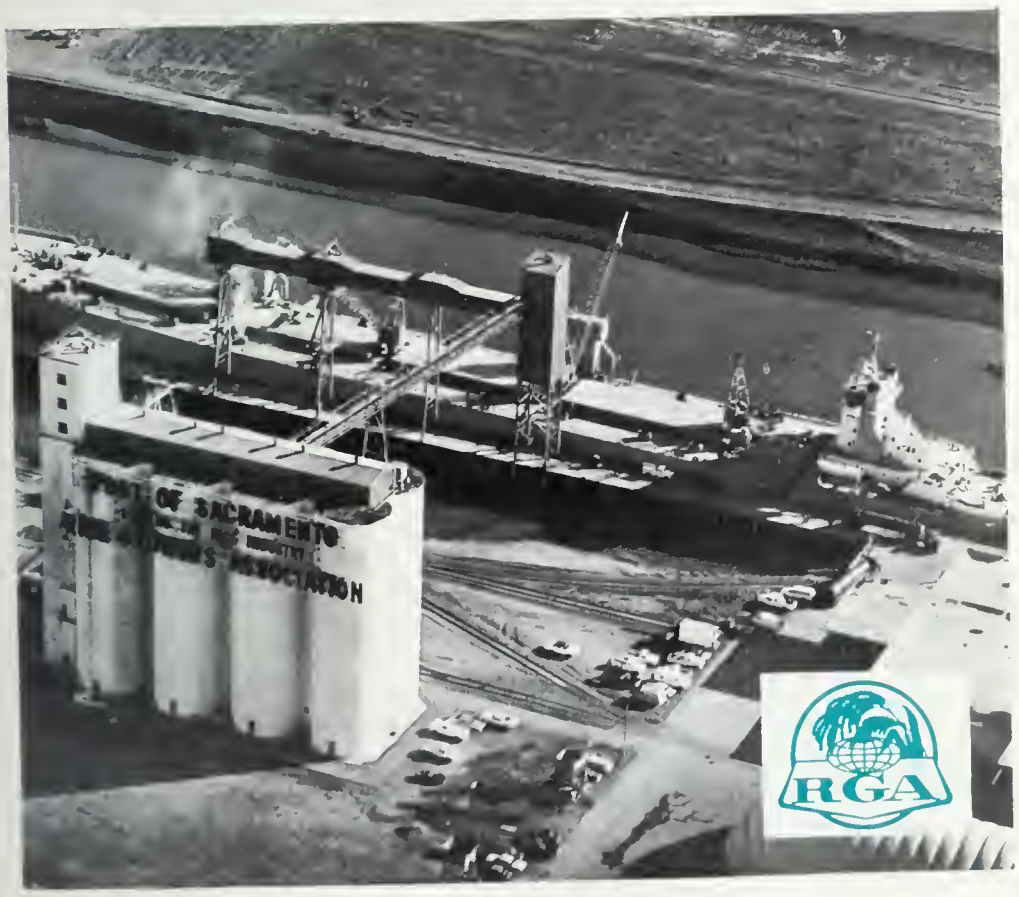
Port of Sacramento, West Sacramento, California

Loadout capacity:

10,800 metric tons (12,000 short tons) per 24-hour day

Draft:

Wharf—10.1 meters (33 feet): port—9.4 meters (31 feet) or more



RICELAND FOODS
P.O. Box 927
Stuttgart, Arkansas 72160

General corporate phone number:
(501) 673-5500
Telex: 53-6464
TWX: 910-720-6240

Persons to contact:

Richard E. Bell,
Executive Vice President
Phone: (501) 673-5328

Rice:

Don Blackwell,
General Sales Manager
Export and Industrial Sales Department
Rice Division
Phone: (501) 673-5303

Rice byproducts:

Charles Ledbetter,
General Sales Manager,
Rice Byproducts Department,
Rice Division
Phone: (501) 673-5322

Soybean meal:

Dorothy Seidenschwarz
General Sales Manager,
Soybean Meal Department,
Soybean Division
Phone: (501) 673-5476

Soybean oil:

L. H. Dodson
General Sales Manager,
Edible Oil Department,
Soybean Division
Phone: (501) 673-5398

Riceland Foods, originally named the Arkansas Rice Growers Cooperative Association, was established in 1920 as a rice milling and marketing cooperative for Arkansas farmers. The trade name Riceland Foods was adopted in 1970.

After World War II, soybean production was introduced into the area served by Riceland Foods. Farmers needing a marketing service established Arkansas Grain Corporation in 1958 as a sister cooperative to Arkansas Rice Growers to process and market soybeans and soybean products.

Today, the trade name Riceland Foods identifies all marketing divisions plus 25 associated local grain drier cooperatives. Riceland Foods is owned and controlled by 25,000 members farming throughout Arkansas, Missouri, Mississippi, and Louisiana. Processing and milling facilities include four rice mills, two rice parboiling plants, two parboil rice mills, three soybean crushing plants, three soybean oil refineries, two soybean oil canning plants, and one soybean oil hydrogenation plant. Grain storage capacity is 2.6 million metric tons (95 million bushels).

Major products marketed include rice and rice byproducts, soybeans and soybean products including refined soy oil, lecithin, wheat, oats, and sorghum. Gross annual sales total more than $470 million with about 60 percent coming from export markets.

Riceland Foods, world's largest storer and miller of rice, handles 20 to 25 percent of the rice grown in the United States.

Parboiled rice is rapidly gaining popularity with foreign buyers. The two parboiling plants enable the cooperative to meet larger demands, especially in European, Asian, and African export markets. Brown and milled parboiled rice are available.

Riceland Foods produces about 800,000 metric tons of soybean meal annually, part of which is exported. The cooperative has vigorously pursued market opportunities in Western Europe's livestock and poultry markets. In the past, meal has been sold to countries as far away as Australia and Vietnam.

Products exported:
Rough rice, brown rice, milled rice, parboiled brown rice, parboiled milled rice, ground or whole rice hulls, rice byproduct pellets.
Soybeans; soybean meal; soybean oil—crude, degummed, and refined; lecithin; wheat; oats; sorghum.

Location of export facilities:
Riceland Foods does not own or lease facilities but usually exports through the following ports: Pensacola, Florida; Mobile, Alabama; Pascagoula and Gulfport, Mississippi; New Orleans and Lake Charles, Louisiana; Beaumont, Orange, and Houston, Texas.

UNION EQUITY COOPERATIVE EXCHANGE

P.O. Box 3408
Enid, Oklahoma 73701

Persons to contact:

Ed O'Rourke
Vice President, Export Marketing

Don Hayes
Assistant Vice President, Export Marketing

Leonard Edwards
Vice President, Grain Marketing

Phone: (405) 233-5100
Telex: 74-7169
Cable: UNECO

Union Equity Cooperative Exchange was established in 1926 as a cooperative marketing agency. It is owned by more than 240 local associations in a seven-State area of the hard red winter wheat belt.

Union Equity is the Nation's largest wheat exporting cooperative, exporting one-fourth of America's hard red winter wheat exports in 1976 and 1977. The cooperative also handles substantial quantities of sorghum.

Union Equity operates elevators with a total grain storage capacity of 1.8 million metric tons (67 million bushels). This includes 1.3 million metric tons (50 million bushels) at the Enid, Oklahoma, headquarters; 230,000 metric tons (8.5 million bushels) at Fort Worth, Texas; and 230,000 metric tons (8.5 million bushels) at the Houston export location. Union Equity also maintains an office in the Kansas City Board of Trade, the second largest wheat futures market in the Nation.

The first cooperatively built export elevator at any gulf port was Union Equity's Houston facility located in Deer Park, Texas, on the south side of the Houston ship channel. Maintaining

control of the product from farm to ship, Union Equity prides itself on quality—not only of product but of performance. This cooperative has the ability to draw grain from any of its members within the seven-State area of its trade territory to provide uniform quality to its buyers.

Export facilities at Houston include a two-ship berth (one loading berth and one lay berth) with 299 meters (980 feet) of loading dock, an automatic ship-loading system, and three automatic shipping scales.

Products exported:

Hard red winter wheat, sorghum

Location of export facility:

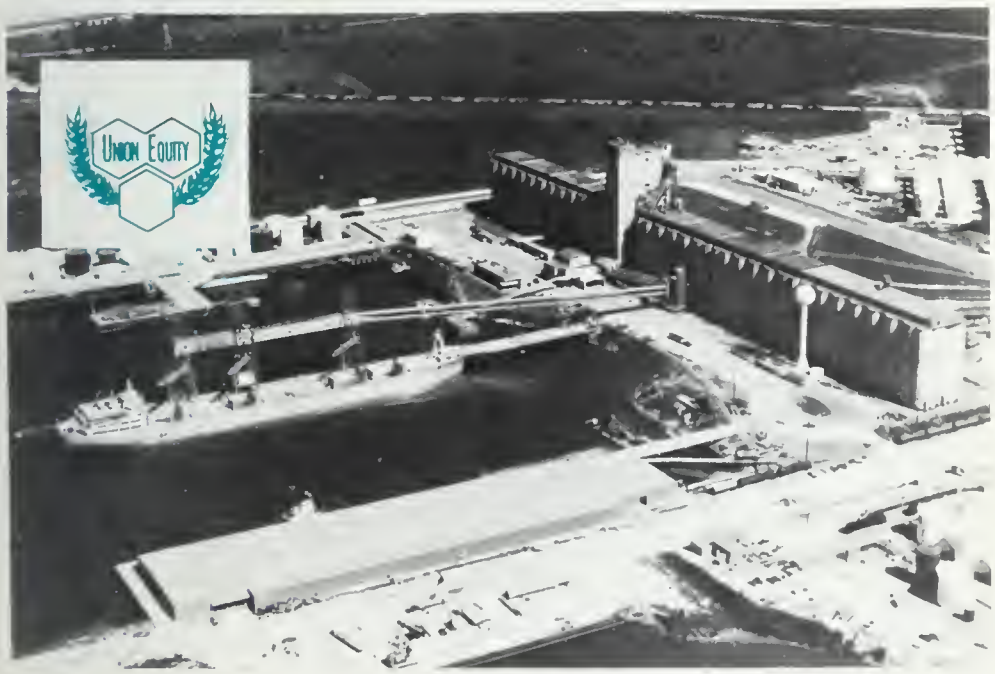
Deer Park, Texas (south side of Houston ship channel)

Loadout capacity:

58,800 metric tons (2.1 million bushels) per 24-hour day

Draft:

12.2 meters (40 feet) at wharf and in port



Major Interregional and Regional Cooperatives Supplying Grain for Export

Two interregional and six major regional cooperatives are particularly active in domestic grain marketing and in supplying grain for export. Exporting cooperatives depend upon these inland cooperatives to receive, condition, and store farmers' grain and then to ship it to export points.

KANSAS CITY TERMINAL ELEVATOR
4800 Main Street, Room 260
Kansas City, Missouri 64112

Kansas City Terminal Elevator is an interregional grain marketing cooperative owned by Missouri Farmers Association Grain Marketing Division and Far-Mar-Co, Inc. It markets grains in the domestic market and ships grain to export points through its two terminal elevators in Kansas City. Grain storage capacity in Kansas City exceeds 234,000 metric tons. Kansas City Terminal Elevator is a member of and supplies grain for export through Farmers Export Co.

ST. LOUIS GRAIN CORPORATION
5100 Oakland Avenue
St. Louis, Missouri 63110

St. Louis Grain Corporation is an interregional grain marketing cooperative established in 1963 and presently owned by five regional cooperatives: Illinois Grain Corporation, Missouri Farmers Association, Farmers Union Grain Terminal Association, Farmers Grain Dealers Association of Iowa, and Far-Mar-Co., Inc.

St. Louis Grain serves as an important link in moving grain to both domestic and export markets through its five elevators at St. Louis. These five elevators provide almost 300,000 metric tons of storage. Two elevators are on the Mississippi River and are capable of either barge or rail shipments of grain and oilseeds to Gulf coast ports. Grains and oilseeds shipped to the Gulf for export are marketed through Farmers Export Co., of which St. Louis Grain is a part-owner. The cooperative is also part-owner of Agri-Trans Corporation, a barge transportation company.

FAR-MAR-CO, INC.
1600 North Lorraine
P.O. Box 1667
Hutchinson, Kansas 67501

Far-Mar-Co, Inc., the Nation's largest grain marketing cooperative, was formed in 1968 from 4 regional cooperatives and serves more than 600 local cooperatives in Kansas, Nebraska, and 7 surrounding States. Far-Mar-Co's origin dates from 1914 when one of its predecessors, the Farmers Union Jobbing Association, was formed.

In 1977, Far-Mar-Co merged with Farmland Industries of Kansas City, Missouri, to become the grain marketing subsidiary of the Nation's largest regional supply cooperative.

Far-Mar-Co operates 16 inland terminals in five States with a capacity of nearly 3.5 million metric tons (125 million bushels) of storage. Far-Mar-Co also operates a soy milling plant, three soybean processing plants, a food sales division, rail transportation equipment, barge loading facilities, a research division, data processing services for cooperatives, and other grain marketing activities.

Far-Mar-Co maintains grain merchandising offices in eight midwestern cities plus a West Coast merchandising office in the Los Angeles area, opened in 1977 to expand into the feed grain market on the western seaboard.

Far-Mar-Co is a member of the Kansas City Board of Trade and the Illinois Co-op Futures. It is also a half-owner of Kansas City Terminal Elevator and a part-owner and supplier of grains and oilseeds for export through Farmers Export Co.

AGRI INDUSTRIES, INC.
P.O. Box 4887
Des Moines, Iowa 50306

American Grain and Related Industries, Inc. (Agri Industries), organized in 1904, serves 120,000 Iowa farmers through 312 local cooperatives that own the cooperative.

One of the Nation's largest merchandisers of corn, soybeans, and oats, Agri Industries is capable of handling more than 5 million metric tons (200 million bushels) annually. The cooperative operates three barge-loading terminals on the

Mississippi River and two inland rail terminals in Des Moines, with a total storage capacity in excess of 292,000 metric tons (11.5 million bushels).

The association also has a heavy investment in transportation; leasing 1,000 jumbo railroad hopper cars and sharing in the ownership of Agri-Trans Corporation.

Agri Industries owns and operates a soybean processing plant at Mason City, Iowa. The cooperative is part owner and a major supplier of corn and soybeans for export through Farmers Export Co.

ILLINOIS GRAIN CORPORATION

1701 Towanda Avenue
Bloomington, Illinois 61701

Illinois Grain Corporation is a regional grain cooperative serving about 200 member company elevators throughout Illinois. The company, organized in 1938, now owns and operates six terminal elevators on the Illinois River and is constructing an inland terminal elevator in Eastern Illinois that will have rail access to both East and Gulf Coast ports. The cooperative also is a major owner of the St. Louis Grain Corporation; Farmers Export Co.; the Illinois Cooperative Futures Company, which provides futures trading services; and Agri-Trans Corporation, a company providing inland waterway barge transportation. Illinois Grain Corporation has a close working agreement with FS Services, Inc., a major regional farm supply cooperative serving Illinois, Iowa, and Wisconsin.

LANDMARK, INC.

35 East Chestnut Street
Columbus, Ohio 43216

Landmark, Inc., is a regional farm supply and marketing cooperative serving 62 member cooperative associations throughout Ohio. The cooperative provides wholesale purchasing, manufacturing, processing, marketing, and other services to farmers. Landmark and its member local cooperatives own and operate feed and fertilizer manufacturing plants, a seed plant, meat and egg processing plants, and regional distribution networks for foods and for farm supplies. The network for distribution of farm supplies and for grain marketing reaches

more than 200 locations throughout Ohio and includes more than 1 million metric tons of grain storage space, 100 fertilizer blend plants, 70 petroleum bulk plants, and numerous farm supply and feed plants. Landmark is a part owner and a major supplier of grains and oilseeds exported through Mid-States Terminals, Inc., and also ships grains and oilseeds for export through Farmers Export Co.

Landmark owns and operates six terminal elevators, four of which have facilities for loading unit-trains. In addition, three local Landmark associations have unit-train loading facilities. Landmark has under construction a barge-loading elevator at Cincinnati, Ohio, and a train-loading elevator in northwest Ohio, both scheduled for completion in the summer of 1979.

MISSOURI FARMERS ASSOCIATION
Grain Marketing Division
201 South Seventh Street
Columbia, Missouri 65201

The Grain Marketing Division of the Missouri Farmers Association was established in 1964 and markets corn, wheat, soybeans, and sorghum for farmers in Missouri and parts of Illinois. The division's grain marketing facilities include 90 country elevators, 3 Mississippi River terminal elevators, 2 inland subterminal elevators, and a soybean processing plant. MFA Grain Marketing Division is a part owner of and markets through the Kansas City Terminal Elevator, the St. Louis Grain Corporation, and Farmers Export Co. The cooperative is also a part owner of Agri-Trans Corporation.

OHIO FARMERS GRAIN CORPORATION
Fostoria, Ohio 44830

Ohio Farmers Grain Corporation serves farmer patrons through about 102 member elevators in northwestern Ohio. The regional cooperative, organized in 1938, markets corn, soybeans, wheat, oats, and barley through a terminal elevator at Fostoria, Ohio, and five country elevators owned by the cooperative. Ohio Farmers Grain Corporation is a part-owner of and a major supplier of grains marketed through Mid-States Terminals, Inc., of Toledo, Ohio, and Farmers Export Co.

☆U.S. GOVERNMENT PRINTING OFFICE: 1979 O— 631-627/2937 REGION 3-1

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COOPERATIVE PROGRAM
U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

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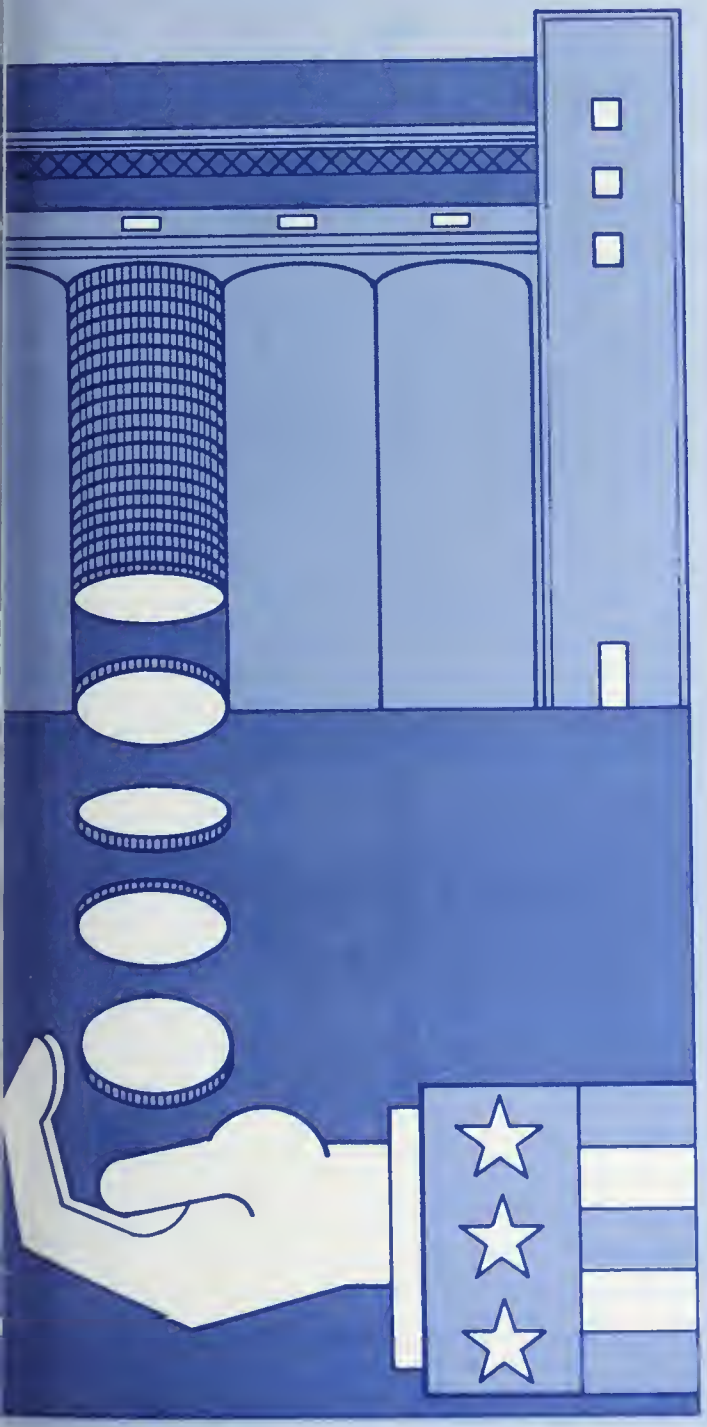
United States Department of Agriculture

Agricultural Cooperative Service

Cooperative Information Report 23

Tax Treatment of Cooperatives



Cooperative Information Report 23

September 1984

Supersedes "Handling Net Margins Under Federal Tax Laws,"

FCS Information Report No. 39, issued in 1979

ıx Treatment Cooperatives

ıld A. Frederick
·ney

ners, like other Americans in business, are dedicated ıdividual initiative and the private enterprise system. individual family farmers often have little economic er when dealing with large sellers of farm supplies and chasers of commodities. So they have formed coopera- s to gain the advantages of group action and some of benefits of modern business corporations while main- ıing control "down on the farm." Farmers' coopera- s play an important role in our free enterprise agricul- e.

operatives Pay Taxes

operatives have the same rights and responsibilities as ıer American businesses, including the obligation to pay es. Cooperatives, like other businesses, pay significant es.

rst, cooperatives pay the special taxes assessed all ısinesses. These include real and personal property taxes, les taxes, employment taxes (to finance social security, ıemployment compensation and workers' compensation nefits), gasoline and diesel fuel taxes, license fees, otor vehicle registration fees, and excise taxes on tele- ıone, power, and other utility services.

econd, cooperatives and their owners pay a single income ıx on margins, usually at the owner level. This is the same ıx treatment applied to most U.S. businesses. As table 1 hows, of the five common structures of American busi- ess, only investor-general corporations have their mar- ins taxed at both the business entity and individual owner evels. And only 12 percent of American businesses are perated as investor-general corporations.

Most business taxes are applied uniformly to all affected taxpayers, including cooperatives. Therefore, they will not be mentioned further in this pamphlet.

Certain aspects of income taxation are unique to each form of business. While some variations exist, most States with income taxes generally follow the Federal model in taxing cooperative margins.

Table 1—Tax treatment by business type

Business type	Times net margin subject to tax	Leve
Proprietorship	1	Own
Partnership	1	Owne
Corporations:		
Investor-General	2	Corpora
		Owne
Investor-Subchapter S	1	Owne
Cooperative-Subchapter T	1	Owne

Federal Income Taxes

The central feature of cooperatives' Federal income tax l bility is that net margins are not taxable income to both t cooperative and the patron if they are distributed or alloc ed to patrons on the basis of business done with the cooperative according to certain well-defined rules. The Internal Revenue Code recognizes cooperatives' operati principle of providing services at cost. Therefore, refunds of net margins to patrons on a patronage basis are subject to Federal income tax only once. This treatment is available to any business choosing to refund net margins in th same way. Rules cooperatives and patrons must follow to be eligible for this tax treatment are found in Subchapter of the Internal Revenue Code.

Subchapter T contains a definition of a patronage refund. Unfortunately, the Code uses the term "patronage dividend" instead of "patronage refund," but to avoid confu sion and reflect more common terminology "patronage refund" is used in this pamphlet.

Subchapter T defines a patronage refund as "An amount paid to a patron by an organization...

1. On the basis of quantity or value of business done with or for such patron,

2. Under an obligation of such organization to pay such amount which obligation existed before the organization received the amount so paid, and

3. Which is determined by reference to the net earnings of the organization from business done with or for its patrons

ıe Subchapter T definition includes several key require-
ents that will be clarified and emphasized.

rst, the definition refers to amounts paid to a "patron"
ther than a "member." Some cooperatives only conduct
ısiness with or for members, others deal with persons
ho are members and nonmembers. The farmer-owners of
cooperative with nonmember business have the choice of
hether to make patronage refunds to nonmember users
f the cooperative.

econd, one of the critical characteristics that distinguishes
business operating on a cooperative basis from other
usinesses is the requirement that distribution of net mar-
ins is based on the "quantity or value of business done
ith or for such patron." Distributions to patrons
ıot made in proportion to business done with the coopera-
ive cannot qualify as patronage refunds. For example,
lividends paid on capital stock are not patronage refunds
ecause they are made in proportion to the amount of stock
wned rather than the amount of business done with the
ooperative. This standard implements the cooperative's
entral objective of distributing financial benefits to
atrons based on their use of the cooperative's services
ather than on the basis of their investment in the
ooperative's capital structure.

Third, the cooperative must have an obligation to pay net
margins to patrons, and the obligation must exist before a
patronage transaction takes place. Both the cooperative and
its patrons have knowledge prior to any transaction that net
margins from the transaction will be paid in whole or in
part as a patronage refund. The preexisting legal obligation
must be in enforceable written form. It can be included in a
cooperative's bylaws, articles of incorporation, marketing
agreement, sales receipts, or other written contract obligat-
ing the cooperative to make the payments. If a State law
makes patronage refunds mandatory, that law also is con-
sidered a valid obligation.

Fourth, patronage refunds are distributions of net margins
derived from business with or for patrons. The Treasury
Department regulations define net earnings (net margins)
as "the excess of amounts retained (or assessed) by the
organization to cover expenses or other items over the
amount of such expenses or other items." Patronage
refunds can come only from business done with or for

patrons. Income a cooperative may receive from business unrelated to patronage cannot be included in patronage refunds under definitions of the Internal Revenue Code. Examples of nonpatronage income include items such as cooperative's rental income, interest income, and capital gains.

Written Notices of Allocation

A cooperative has several options in distributing its patronage refunds and taking advantage of the tax treatment available under Subchapter T. It may simply pay ou all of its earnings in cash. This is usually done by cooperatives that do not need to generate additional capital, or those whose members finance by other methods.

The most popular method of distributing patronage refunds is to pay out part of the refund in cash and part in noncash form called a "written notice of allocation." Funds represented by a written notice of allocation are retained by the cooperative, not as profit, but as a capital investment by the patron in the cooperative. The tax code permits the notice to be in a variety of forms so long as it i in writing and informs the patron of the total amount allocated to him or her on the books of the cooperative and th portion that is a patronage refund.

Members determine how much of the cooperative's net margins are to be retained in the cooperative to meet its capital needs. The written notice of allocation is evidence a patron's share of that investment. This method of financ ing helps the association comply with the cooperative principle of obtaining financing from current patrons on the basis of their use of the cooperative.

A cash refund is deductible by the cooperative in the year the funds being returned were earned and is taxable income to the patron in the year received. Members and their cooperative have two alternative tax treatments available for retained funds evidenced by written notices of allo

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[1]Dividends paid on capital stock and patronage-based refunds of nonpatronage income are eligible for single tax treatment if a cooperative meets the requirements of Section 521 of the Internal Revenue Code. A review of 521 status is beyond the scope of this pamphlet. A thorough discussion of Section 521 can be found in *Legal Phases of Farmer Cooperatives*, FCS Information 100, beginning at page 381.

n. Specific tax treatment will depend on whether a
en notice of allocation is "qualified" or "nonquali-
"

alified" and "Nonqualified"

cooperative elects to meet the specific requirements of
Code to "qualify" written notices of allocation, funds
esented by qualified written notices are treated just like
sh patronage refund for tax purposes. That is, the
perative deducts the entire amount from its taxable
me in the year the funds are earned, and the patron
udes the entire amount in his or her income in the year
written notice is received. (A cooperative is allowed 8-
months from the end of its tax year to complete its tax
rns and make its patronage distributions.)

e requirements to qualify a written notice of allocation
:

The written notice of allocation must be part of a
ronage refund package of which 20 percent or more is
d in money or qualified check, and either

. The patron has the option of redeeming the written
tice of allocation at face value for cash within 90 days of
uance, or
. The patron has consented to include the face value of
e written notice in his or her taxable income.

s used above the term "money" includes both cash and a
gular bank check. A "qualified check" is a specially
epared bank check that can be used to establish a
tron's consent to include the noncash portion of a
tronage refund in his or her income for tax purposes.

patron can "consent" to include the face value of the
ritten notice of allocation in taxable income in any one of
ree ways:

. By joining a cooperative whose bylaw clearly states
membership in the cooperative constitutes such consent,
rovided the patron is given a copy of the bylaw and a writ-
en statement of its purpose. This is the most common
nethod of establishing consent.

. By signing and furnishing a written consent to the

cooperative before the end of the taxable year in which t patronage occurs. The consent must be revocable. Unles provides otherwise, a written consent remains in effect f all subsequent years until it is revoked.

3. By endorsing and cashing a qualified check. A "qualifi check" is one carrying a clearly printed statement that endorsement and cashing of the check constitutes conse by the patron to take into account, as provided in the Federal income tax laws, the stated amount of any writte notices of allocation that are paid as part of the patronage refund of which the check is also a part.

A cooperative may elect not to meet all the requirements qualify a written notice of allocation. For example, it may pay less than 20 percent of the patronage refund in mone or qualified check, or it may not have its patrons consent take the face amount of the refund into account for tax pu poses. A written notice that for any reason does not meet the requisites for qualified status is called "nonqualified.

A cooperative that issues nonqualified written notices of allocation must include the face amount of the notice in i taxable income for the year the covered funds are earned and pay tax on these funds at regular corporate income ta rates.

The patron receiving a nonqualified written notice of allocation does not pay an immediate tax on the funds it represents. However, when the cooperative pays out the money represented by the nonqualified notice to the patron, the money received is taxable income to the patro in the year received, and the cooperative deducts the amount paid from income in the year paid according to fo mulas established in the Code.

Per-Unit Retains

Members usually have alternative methods of meeting their obligation to finance their cooperative. They may make out-of-pocket investments, such as buying a membership or shares of stock. They may leave a portion of their patronage refund in the cooperative, as previously described. Patrons of marketing cooperatives may also invest in their cooperative by authorizing it to deduct a po tion of the proceeds of sale, based on the dollar value or physical volume of products marketed through that

›perative. This method of financing is called "per-unit
ains."

lx treatment of per-unit retains generally parallels that of
:ronage refunds. A cooperative is required to pay tax
rrently on its per-unit retains unless they are evidenced
certificates "qualified" under the law. The patron is
quired to include the face value of a qualified per-unit
.ain in his or her income for tax purposes in the year
ceived. The certificate is qualified only if the patron con-
nts to include the face amount of the certificate in current
come. If the patron receives a nonqualified certificate,
e amount evidenced is not reported as income until the
oney it represents is paid to the patron. Because per-unit
tains are deducted from payments for products there is
› cash distribution rule similar to the 20-percent require-
ent to qualify a written notice of allocation.

ıtronage refunds and per-unit retains are often confused.
he main distinction is that patronage refunds are based on
et margins while per-unit retains are based on the amount
business conducted without regard to margins.

ax Planning Alternatives

he tax treatment available to businesses operated on a
ooperative basis is a simple concept—a cooperative
perates at cost, so it has no true income to tax. However,
s the earlier sections of this pamphlet indicate, when that
oncept is melded into our complex Federal income tax
ystem it also becomes quite complex.

Careful tax planning is as important for farmers and their
ooperatives as it is for all other individuals and businesses.
This is especially true when patronage refunds are
nvolved, because almost every decision will have signifi-
cant tax consequences for both the cooperative and its
armer-patrons. Here is a brief summary of some of the
choices available:

1. How to finance the cooperative. Members may supply
equity capital through out-of-pocket investments,
patronage refunds, or per-unit retains. Initial investments
to start a cooperative usually come from the members.
When the cooperative generates margins, retained
patronage refunds generally become the principal source of
capital. Only a limited number of cooperatives use per-unit

retains. A combination of these methods is permissible. The role each is to play in capital formation should be planned.

2. Who is to receive patronage refunds. A cooperative may pay patronage refunds to all users or only to member-users. If margins on nonmember business are not returned to nonmember users on a patronage basis, then the cooperative pays corporate income taxes on this money.

3. Whether to "qualify" its paper. Most cooperatives "qualify" their written notices of allocation (and per-unit retain certificates) because members find it to their advantage to accept immediate tax liability for their investment in their cooperative, and thereby give the cooperative the easiest possible access to needed financing. It is permissible to qualify part of an allocation and not the remainder. The extent to which nonqualified allocations are made generally depends on the cash needs and tax rates confronting both the members and the cooperative at the time of allocation.

4. How to "qualify." The vast majority of cooperatives use a bylaw provision to obtain the necessary consent to qualify their allocations to members. The required explanation can be provided at the time the producer files application for membership, and the pre-existing legal obligation to conduct business on a patronage basis is established. A separate written consent is usually obtained from nonmembers if their business is to be conducted on a patronage basis. Bylaws only bind members, so bylaw consent is not available for nonmember business. Qualified checks can be issued only as part of a patronage refund, and are rarely used because of the uncertainty over whether patrons will cash them.

5. How to redeem old patronage paper. If current patrons are to meet their obligation to finance the cooperative, their written notices of allocation and per-unit retain certificates that have been on the books of the cooperative for many years should be paid off. The redemption schedule should not be so rigid that it interferes with the cooperative's efforts to raise needed capital. However, the existence of some kind of formal redemption program is clearly compatible with cooperative principles.

Member-patrons of each agricultural cooperative must collectively decide which alternatives best fit their needs and the operation of their cooperative.

U.S. Department of Agriculture
Agricultural Cooperative Service

ultural Cooperative Service provides research, management, ducational assistance to cooperatives to strengthen the eco- position of farmers and other rural residents. It works directly ooperative leaders and Federal and State agencies to improve ization, leadership, and operation of cooperatives and to give ince to further development.

gency (1) helps farmers and other rural residents develop coop- es to obtain supplies and services at lower cost and to get r prices for products they sell; (2) advises rural residents on loping existing resources through cooperative action to en- e rural living; (3) helps cooperatives improve services and oper- efficiency; (4) informs members, directors, employees, and the c on how cooperatives work and benefit their members and communities; and (5) encourages international cooperative rams.

agency publishes research and educational materials and is- *Farmer Cooperatives* magazine. All programs and activities onducted on a nondiscriminatory basis, without regard to race, d, color, sex, or national origin.

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A Guide to Survey Research for Local Cooperative Management

United States
Department of
Agriculture

Economics, Statistics,
and Cooperatives
Service

Cooperative
Information
Report No 24

Foreword

For more than half a century Congress and the U.S. Department of Agriculture have recognized the need for a research and service program specifically tailored to the needs of farmers who have joined to form cooperatives. That program, now conducted by the Economics, Statistics, and Cooperatives Service (ESCS), seeks to improve farm income through more effective cooperative marketing and purchasing activity.

While many farmer cooperatives turn directly to the ESCS program for specialized technical assistance on a myriad of problems, others are interested in information and advice that would enable them to arrive at their own solutions. A local cooperative taking this approach often needs information on how to survey members to gain an accurate picture of their opinions, preferences, and future needs. Such information may help the cooperative change, modify, or expand its marketing or purchasing operations to better suit member requirements.

This pamphlet can assist cooperative managers and boards of directors who want to survey their membership. In simple terms, it contains suggestions on interviewing and questionnaire design which should improve the quality and quantity of responses, and in turn, enhance decisionmaking of the cooperative.

James E. Haskell, Director
Cooperative Marketing and
Purchasing Division
Economics, Statistics, and
Cooperatives Service

April 1980

Washington D.C., 20250

A Guide to Survey Research for Local Cooperative Management

Julie A. Hogeland
Agricultural Economist

Introduction

Cooperatives cannot be successfully operated unless managers recognize the concerns which are uppermost in the minds of patrons. Knowledge of their preferences, perceptions, and expected behavior can reduce uncertainty for both the manager and the board of directors. This information can help identify operations of the cooperative which are successful and merit expansion, as well as those which need to be corrected or curtailed. A cooperative may need to relocate, add new facilities such as a feed mill, or do bulk spreading of lime. In each of these situations, questionnaires and interviews, the tools of survey research, can provide information to ease decisionmaking.

This pamphlet is intended to aid cooperative managers who want to survey patrons or other groups on these and other issues facing a cooperative.

Guidelines for Questionnaire Construction

Interpretation of responses on a questionnaire is dependent on the respondents themselves, particularly when an interviewer is not present. Respondents find it easier to answer the questions if the purpose of the questionnaire is clear. Consequently, the objectives of the questionnaire should be established before the questions themselves are formulated.

One means of defining questionnaire objectives is to think about the results which are anticipated. After a set of preliminary questions is developed, a listing of expected responses can be used to clarify and strengthen the relationships between the questions.

Background information such as age or education may be unnecessary if the purpose of the questionnaire is to examine the feasibility of modifying a cooperative's operations. Questionnaires are also more likely to be answered if they are short. Information that would be merely "nice to know" probably should not be pursued except in interview situations.

Interviews are very useful in pretesting questionnaires before final distribution. In a pretest, the questionnaire is given to at least five persons who are similar in background to the intended recipients. One would ask the pretest respondents how they would phrase each question, and determine the frame of reference used to answer the questions. This procedure can uncover topics which are insufficiently covered on the questionnaire.

A single question should raise only one issue. A question such as, "How have recent increases in feed and fertilizer prices affected your operation?" will elicit complicated, poor responses. A better approach would be to ask two separate questions. Making alternatives and ideas explicit increases the probability that each will be given equal weight and consideration.

Answering a questionnaire can be a learning experience. If respondents are made aware that only sacrifices of time or money will support changes in operation, they may be less willing to demand improvements. One should try to determine how much a respondent will

favor an operation even if it means a particular outcome may help pinpoint the degree of their preferences. Questions directed to the consequences of opinions held by the respondents permit greater confidence in the survey results. One model question tests the respondents' willingness to support changes in operation at the risk of some personally adverse consequences:

> **"Your support is necessary to make expansion of elevator capacity a financial success for the cooperative. If capacity is expanded, would you sell at least 10 percent of your grain volume to the elevator despite a net return of 1 cent per bushel less than could be obtained from another buyer?"**

Cross-checks on the survey results will help offset replies distorted by emotional influence. Overly pessimistic estimates of crop damages by farmers, for example, can be counterbalanced by different approaches to the same material in the questionnaire. Outside sources can provide additional verification.

Types of Questions

Questions can be divided into two types: Fixed alternative or "check answer" questions where the respondent selects one of a list of predetermined response options, and open-ended questions where the replies depend entirely on the respondent. The latter type allows greater flexibility.

If respondents are unlikely to hold clear-cut opinions because the issue is foggy, then open-ended questions are appropriate. However, fixed alternative questions demand less work and thought from the respondent, so they are more likely to be answered.

An open-ended question immediately following a fixed alternative question gives background material, such as the assumptions made by the respondent and past events that influence choice. The format for combining the two types of questions could be:

> Does the management of your cooperative show an interest in your farming problems?
>
> Interested _____
> Doesn't care _____
> Other answer _____
>
> In what ways does management show interest?

Checklists require care in construction. Terms such as *usually, sometimes, excellent, fair,* and *poor* will vary in meaning among respondents. Ambiguity can be reduced by using concrete and objective categories, and by quantifying whenever possible.

Consider the question, "How often is the machinery department unable to supply repair parts within 3 days?" A checklist offering the alternatives, "rarely," "sometimes," and "frequently," would be more difficult to interpret than one with categories such as, "less than twice a year," "2-3 times a year," or "more than 3 times a year."

Faulty checklists may contain alternatives which are equally compelling or true. One should try to differentiate among alternatives as much as possible, choosing those which do not overlap. A list offering lower prices as one option and larger discounts as another would contain items which are not mutually exclusive.

Items in a checklist should also be kept consistent with each other. An alternative related to fertilizer usage should not creep into a question on grain marketing. Present only one idea per alternative to sharpen the analysis.

The first and last items on a checklist tend to receive a disproportionate number of responses. This situation can be avoided by reordering the items from one questionnaire to another.

respondent should be asked at the end of the questionnaire, for several reasons. Respondents may be deterred by the length of the questionnaire. If they do not proceed beyond the questions seeking identifying data, the primary purpose of the questionnaire is frustrated. By initially answering questions which establish the intentions and sincerity of the sponsors, respondents may be more willing to reveal their income group, age, education, and so on.

Likert Scales

The most refined version of a check-answer question is an attitude scale. A commonly used version is the Likert scale, basically a set of favorable and unfavorable statements about an issue or object. Respondents choose the extent to which they agree or disagree with each statement, checking such categories as "strongly agree," "undecided," and "disagree."

The respondent generally chooses from among three to seven expressions of agreement or disagreement. Five expressions are used in the example below on attitudes toward the quality of service offered by a cooperative. Terms such as "almost always agree," "frequently agree," "rarely agree," and "almost never agree" could replace or supplement those used.

---

1. Turnaround time for grain deliveries is too slow.

☐ Agree completely ☐ Agree very strongly ☐ Agree to some extent ☐ Agree to a little extent ☐ Completely disagree

2. The moisture content determined by the elevator is generally accurate.

☐ ☐ ☐ ☐ ☐

3. Service at the elevator is prompt and efficient.

☐ ☐ ☐ ☐ ☐

4. I have mentioned to my friends and neighbors that the grading done by the elevator is very fair.

☐ Agree completely ☐ Agree very strongly ☐ Agree to some extent ☐ Agree to a little extent ☐ Completely disagree

---

Note that both positive and negative expressions of attitude are used and that the same concept is expressed by more than one item. Each of these features of Likert scaling serves as a check on the consistency of respondents.

Statements indicating a positive attitude toward the grain services were scored as: agree completely, 5; agree very strongly, 4; agree to some extent, 3; agree to a little extent, 2; completely disagree, 1. The scoring was reversed for statements reflecting discontent.

Suppose a respondent checked "agree very strongly" to item 1 (score 2); "agree to some extent" to item 2 (score 3); "completely disagree" to item 3 (score 1); and "agree to a little extent" to item 4 (score 2). That person's total score is 2 + 3 + 1 + 2 = 8. This total score represents how favorable the respondent finds the grain services overall, particularly when compared to the maximum or minimum score attainable. For this series of questions, the highest possible score would be 20; the lowest would be 4.

Scores on individual items in a Likert scale are less important than the pattern of responses. The individual's attitude is determined by his or her responses to many items. Thus, those who favored the issue would be expected to agree with most of the favorable statements, and disagree with the majority of unfavorable items. Ambivalent persons would be less consistent. The repetition found in Likert scales, the restating of a position several different ways, means that the conclusions drawn from the survey will be more reliable than if an individual's attitude was inferred from only one or two questions.

Construction of Likert Scales

Likert scales are easy to construct. The formal procedure uses several persons to compose a large number of favorable and unfavorable statements about the attitude under study. In practice, items could be formulated by the one or two persons responsible for drawing up the

questionnaire. These statements are pretested with a group of respondents who are similar to those who will receive the final version of the questionnaire. Selected patrons who would be expected to represent both sides of the issue could be used for the pretest. At least 16 individuals should be chosen.

The pretest respondents indicate their degree of agreement or disagreement with each statement. A total score is then calculated for each respondent. The highest scorers could be considered the top 25 percent and the lowest, the bottom 25 percent. One can easily divide the 16 pretest respondents into subgroups. Answers to certain questions will raise the scores of the top group and lower the scores of the bottom group. In other words, some of the pretest items will draw out more opinionated responses than others. These items are retained for the final version of the questionnaire. Items which received many neutral responses—in the previous example, responses such as "agree to some extent"—should be dropped.

Interpretation of Results

The results achieved using a Likert scale do not indicate how favorable one respondent is compared to another. One can conclude that one respondent is favorable to the issue involved, and another very favorable, but in each case the definitions of "favorable" and "very favorable" are subjective. It is impossible to state that a very favorable opinion is twice as favorable as a favorable opinion. Likert scaling provides only a rough ordering of people on the attitude being measured.

Another consideration is involved in the interpretation of total scores. A respondent may agree very strongly or completely disagree with the questions, yet obtain the same total score as a respondent who consistently chose milder expressions. In such situations, the total scores should be seen as representing the same net opinion, even though the opinion is expressed differently.

Sampling

Generally speaking, it is too expensive to distribute a questionnaire to every potential respondent, or what is known in statistical terms as the population. Consequently, a group or sample of respondents is used to generalize about the population. There are three ways of selecting a sample that may be particularly useful to cooperative managers: random selection, systematic sampling, and stratified sampling.

Random Selection

Random selection does not imply that patrons to be included in the sample are selected arbitrarily. Distributing a questionnaire by leaving it out for interested persons to complete does not constitute a random sample, for example, since not all patrons are equally likely to visit the cooperative while the questionnaire is available. When a sample is selected randomly, every potential respondent has the same chance of falling into the sample.

The only reliable means of obtaining a random sample is to use a random number table, found in most textbooks on statistics. Such tables contain sets of numbers generated by a computer. Each number listed in the table has no connection to any of the other numbers.

Suppose there are 500 patrons in a cooperative and a sample of 50 is desired. The first step in making a random selection would be to list the patrons and assign each one a number. In an example, the patrons would be numbered from 1 to 500. As the second step, one would select patrons for the sample with numbers corresponding to an entry in the table.

Suppose one chooses three columns of numbers similar to those found in a random number table (see tabulation below). Using the first three digits of each random number in the first column puts patrons numbered 240, 96, 347, and 129 into the sample. Random numbers which repeat or are larger than the sample size are ignored. Any part of a column or row may be used to determine the sample, as long as the selection procedure is consistent. The process is continued until the desired sample size is reached.

Hypothetical Random Numbers

24067	28792	87062
09642	62358	66693
34728	00932	78087
12954	78261	93362

This method of sampling may be tedious when selecting large samples, but random selection is a fairly simple way of representing the population at large with some degree of accuracy. Random selection is also the foundation for systematic and stratified sampling.

Systematic Sampling

Suppose a cooperative has 1,000 patrons and wants to sample 50 of them. Obtaining a sample of this size through random selection would be very time consuming. An alternative procedure to consider is systematic sampling.

As in random selection, patrons are assigned a number from 1 to 1,000. Patrons are selected at regular intervals for the sample. To obtain the interval, the population (in this case, the total number of patrons) is divided by the desired sample size, or 50. As shown below, every twentieth patron will be chosen.

$$\frac{\text{Population}}{\text{Desired sample size}} = \text{Interval used to select potential respondents}$$

$$\text{that is,} \quad \frac{1{,}000}{50} = 20$$

To determine the first patron selected, a number is chosen at random between one and the number representing the interval between sampled patrons. This number is called the "random start." If the number 12 is chosen, the sample would consist of patrons numbered 12, 32, 52, 72, 92, and so on.

Systematic sampling is easier to implement than random sampling. However, the data to be sampled should not be arranged according to a seasonal or systematic pattern. Suppose a set of data collected monthly was arranged from low to high values. If only one observation was taken from each month, the sample could contain only low or high values, depend-

ing on the random start. To prevent this, the data should be shuffled, and/or a large sample size should be taken, such as several observations per month. Either random selection or systematic sampling can be used to develop a stratified sample.

Stratified Sampling

Stratified sampling is used when a population can be separated into several distinct groups. A random or systematic sample is drawn from each group or stratum, and these subsamples are joined to form the total sample.

For example, suppose information is required on the attitudes of patrons toward various changes in their farm supply cooperative. The patrons represent diverse operations, but most sales of the cooperative come from a few farmer members. A random or systematic sample of all the patrons might omit farmers who are the backbone of the cooperative. Stratified sampling should be used in this case because it facilitates comparisons between classes in addition to minimizing the possibility of overlooking important groups. Descriptive lables other than occupation may be used to stratify, such as geographic area or type of products purchased. Quantifiable labels are also chosen: acres farmed, amount of purchases, and quantity of product delivered for processing.

Suppose a survey was taken using 50 dairy farmers out of a possible 300, and 60 hog producers out of the 500 available. Possible positions taken on the issue might be:

Item	Total number patrons	Number sampled For	Against	Undecided
Dairy farmers	300	25	20	5
Hog producers	500	30	27	3

Note that the sample sizes of dairy farmers and hog producers shown are not equal. The sample size from each stratum does not have to be proportional to the size of the stratum in the population. If little is known about opinions of dairy farmers compared to hog producers, the former can be sampled more intensively than the latter.

Determination of population projections requires some simple arithmetic (see tabulation below). Calculations based on one group or stratum such as dairy farmers are done independently of those for the other stratum, in this case, hog producers. First, the percentage of the sample representing each viewpoint is calculated. Each percentage is then multiplied by the total size of the group from which the sample was taken.

Item	Estimated number in the population		
	For	Against	Undecided
Dairy farmers	150	120	30
Hog producers	250	225	25

The estimate of all the dairy farmers in the co-op who approve of the issue based on only those who were sampled is calculated using the values previously listed.

$$\frac{\text{No. of respondents in stratum who approve of issue}}{\text{Total no. of sampled respondents in stratum}} \times \text{No. of respondents available for sampling from the stratum} = \text{Estimated population value}$$

that is, $\frac{25}{50} \times 300 = 150$

Information on population averages may also be required in the context of a survey investigation. Suppose in the sample that hog producers and dairy farmers used an average of 17 and 20 tons of fertilizer per year, respectively. A combined average for both groups would be calculated as:

$$\frac{\text{No. of respondents in strata 1}}{\text{Total no. in population}} \times \begin{matrix}\text{Average for}\\ \text{strata 1}\\ \text{based on sample}\end{matrix} + \frac{\text{No. of respondents in strata 2}}{\text{Total no. in population}} \times \begin{matrix}\text{Average for}\\ \text{strata 2}\\ \text{based on sample}\end{matrix} = \begin{matrix}\text{Estimated}\\ \text{population}\\ \text{average}\end{matrix}$$

that is,

$$\left(\frac{300}{800} \times 20\right) + \left(\frac{500}{800} \times 17\right) = 18.1$$

Reliance on the estimate of the population average should depend on the amount of variation in the values used to compute the sample averages. The previous examples showed how to calculate a combined average for two groups, dairy farmers and hog producers. However, if some of the hog producers use very little fertilizer and the rest use only large amounts, then the computed average use among hog producers will not be realistic. An inaccurate sample average will result in an incorrect estimate of the population average.

One final note. Sometimes appropriate variables for stratification are not known in advance, but emerge during analysis of the survey data. If random selection has been used to determine the sample, stratification before or after data collection will have equivalent results. Either procedure produces subsamples with randomly selected elements.

Some Points on Interviewing

No matter which sampling procedure is chosen, the response rates for mailed questionnaires usually vary from about 10 to 50 percent. Relatively few respondents in any group have the time and ability needed to clearly express opinions in written form.

Personal interviews, on the other hand, usually have much better response rates provided confidentiality is assured. People are generally flattered when they are singled out for an interview. Participation in a survey is easier when talking is all that is required. Misunderstandings about question content can be clarified immediately during an interview, further bolstering responses. Consequently, topics which are complex or controversial are more suited for interviews than questionnaires.

The initial requirement for a successful interview is a friendly atmosphere to put the respondent at ease. Awkward pauses can be avoided if the interviewer is familiar with the content and sequence of questions. Attempts by the respondent to obtain the viewpoint of the interviewer or to engage in a debate can be passed over with a comment that the interviewer needs to get opinions, not have them.

Respondents often avoid thinking about the issue raised by a question by replying, "I don't know.'" If this does not appear due to fear of making a statement or to a genuine lack of an opinion, persistence may bring about a better answer. In this case and in situations where the respondent appears to misunderstand the question, the interviewer can begin by admitting the question might have been unclear, then slowly repeating the question exactly as previously stated. Attempts to explain the question would mean that some of the persons interviewed will have a slightly different interpretation of the question than others, so questions should be explained only as a last resort.

An alternative method of drawing out a response would be to remark, "Not everyone has thought about this issue, but I'd like to get your ideas on it, whatever comes to mind." Vague or incomplete responses may improve if the interviewer suggests, "That's an interesting answer. Could you explain a little more?" or "When you said ... how did you mean that?"

If the interviewer already knows the questions to be asked, he or she can state the next question while recording the last response. This procedure also gives the respondent a little time to think about a reply. Few respondents will object to waiting a moment while the interviewer finishes jotting down a last sentence. However, delays will be minimized if the interviewer begins writing as soon as the respondent starts talking, without waiting for the entire response. Reporting the complete, verbatim answer will avoid future confusion about what was actually said or implied during the interview. Paraphrasing or correcting bad grammar and cursing may mean losing the force and nuances of the original reply. The interview could also be recorded on tape if the respondent does not object.

Followup

Regardless of the questionnaire, interview, or sampling methods chosen, participants in a survey investigation should be told they will have access to the results. The cover letter of the questionnaire can be used for this purpose. Providing some feedback demonstrates that the time and opinions of the respondents were taken seriously. If respondents know they will obtain a copy of the results, they may be more inclined to cooperate in the study.

If responses to mail questionnaires are inadequate, postcards may be sent to participants in the survey as reminders. Another technique to prompt replies is to phone the participants to suggest that the study is incomplete until their questionnaires are returned. Followup can substantially increase response rates; certainly, it demonstrates that the survey investigation was as thorough as possible.

References

Selltiz, Claire and others. *Research Methods in Social Relations*. New York: Holt, Rinehart, & Winston, 1976.

Nachmias, David and others. *Research Methods in the Social Sciences*. New York: St. Martin's Press, 1976.

COOPERATIVE PROGRAM

U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

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Opportunities in Cooperatives

A Leader's Program for Youth

Preface

A committee of cooperative leaders working with youth organizations and programs asked Agricultural Cooperative Service to develop a 9-month program to provide guidelines for sponsoring Scout Explorer, 4-H, Future Farmers of America, Future Home Makers, and other groups included in the 18 to 20 youth organizations with whom cooperative business leaders work. This publication is the result.

This information may help cooperatives as they work with teachers, advisers, Extension agents, and others in their youth programs.

Ideas presented in this publication become more effective when applied to local situations with business and professional leaders involved in developing such programs.

Emphasis is on the role of cooperatives in the American business system, how this system is organized and operates, and its opportunities for employment.

Suggested Use for Publication

Information is designed for nine monthly meetings to coincide with the school year. Leaders have the option to change the suggested schedule.

The first meeting discusses organization of the series. The second and third cover basic information on business organization. Meetings four through seven are devoted to visiting various types of business organizations, including another cooperative. Meeting eight returns to the sponsoring organization. Meeting nine is a recognition program with parents and leaders.

Meeting outlines contain a suggested introductory statement for leaders, questions that may help youth to develop their business and career interests, and a suggested optional quiz.

The information may be used as a special youth program on cooperatives in the American business system, as a study of local business organizations and operations, or to further career interests in purchasing, distribution, finance, law, accounting, or others as they pertain to local business operations including cooperatives. Program suggestions offer a wide range of opportunities for youth to select areas of greatest interest within each major monthly topic.

Some sponsors will want to select outstanding youth for recognition and awards. The optional quiz series offers this opportunity. Quiz instructions and suggestions are found in Appendixes V and VI. Answer sheets are in Appendixes VII and VIII.

Leaders using the optional quizzes may want to administer the appropriate quiz at the end of meetings two through seven. The final quiz, suggested for the eighth meeting, is a review of the entire program.

A good leader involves other people in getting things done. But some planning, organizing, motivating, and coordinating is necessary. Broad participation can best be achieved by asking others to help with the program as it relates to their career fields. For example, educators, professional people, cooperative managers and key employees, and other business executives may help as their careers relate to the program. These leaders will have opportunity to observe promising youth and encourage them to seek employment in their business or community.

References are keyed to questions for discussion at the various monthly meetings. For example: A key of A-6 refers to Cooperatives in Agribusiness, page 6. The key of B-2 refers to Cooperatives—Distinctive Business Corporations, page 2.

References A through D are available from Agricultural Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250.

References E and F are available from American Institute of Cooperation, 1800 Massachusetts Avenue, N.W., Washington, D.C. 20036.

Sample order forms are in Appendix I and II.

Optional references appear in Appendix X.

Leaders should become familiar with the details of the materials and references for the program. The program can be adapted to fit your cooperative and community or teaching programs for other groups.

Necessary Reference Material:

A. *Cooperatives in Agribusiness.* Cooperative Information Report (CIR) 5. Revised 1983. 60 pp.

B. *Cooperatives—Distinctive Business Corporations.* CIR 3. Revised 1979, 34 pp.

C. *Cooperative Principles and Legal Foundations.* CIR 1, Sec. 1. Reprinted 1982. 26 pp.

D. *Understanding Your Cooperatives.* CIR 6. Revised 1983. 146 pp.

E. *How We Organize to Do Business in America—American Institute of Cooperation.* Reprinted 1982. 34 pp.

F. *Business in Our Community.* American Institute of Cooperation. Revised 1982. 24 pp.

Opportunities in Cooperatives:
A Leader's Program for Youth

Cooperative Information Report 25
July 1983

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Opportunities in Cooperatives

A Leader's Program for Youth

C.H. Kirkman, Jr.
Senior Cooperative Education Specialist

FIRST MEETING

INTRODUCTORY SESSION

(At sponsoring organization in September.)

Cooperative leaders working with youth should plan the kickoff meeting well in advance. In addition to young people, invite local business leaders, professional people, and cooperative personnel helping with the program.

Explain the program to those present and introduce adult assistants. The following suggested introductory remarks may help you.

Suggested Introductory Remarks for Leader:

Opportunities in Cooperatives is designed to help you look right in your own backyard at existing community business organizations and learn career opportunities in business. You also may gain practical information about these business organizations.

We have invited business, education, and professional people to provide practical experience and give guidance to our program in their respective fields. (Introduce those present.) You can gain firsthand information by talking with the person or persons engaged in a career that interests you.

Ask them how you can enter a similar field—its requirements, advantages, and disadvantages. They can speak from personal experience and observation and tell you about current opportunities.

We plan one meeting each month during the school year. You may explore your individual area of interest in greater depth between meetings with your adult advisers.

The October and November meetings will be held here at the sponsoring organization. During these meetings we shall help you learn about basic information concerning the American business system, how people create and use organizations, business in the United States, essentials of a successful business, relationships of Government to private business, and ways of organizing to conduct business in the United States.

This will help you understand why and how business is organized and may help you determine your own career interest.

During the next 4 months, we shall visit businesses in our community to study their organization and learn about career opportunities in their particular fields. In December we visit _____, an individually owned business. For January, we plan a visit to _____, a partnership. The next month, February, we will visit _____, an investor-owned business corporation. In March, a visit is planned to a member-user-owned cooperative business corporation _____.

Then in April we invite you back here to learn more about our organization and the varied careers it offers.

The final month, May, we shall have a dinner meeting and invite your parents.

Are there any questions about our program outline?

A youth cooperative is one way to offer an opportunity to learn more about how a cooperative business operates and to provide the framework for a business project the group may desire to undertake. Suggested articles of incorporation, bylaws, and membership certificate are in Appendixes III and IV.

If the group indicates interest in the program, sample order forms are given in Appendixes I and II for ordering cooperative materials and references for youth and those assisting with the program. Allow a minimum of 2 weeks for delivery.

Optional—Some cooperatives or other sponsoring organizations send one or more youths to the National Institute on Cooperative Education, sponsored by the American Institute of Cooperation, held each August on the campus of a State university.

The Check exercises (Appendix V) and the final Cash-In exercise (Appendix VI) suggested or other methods may be used to determine outstanding youth participants.

SECOND MEETING — THE BUSINESS WORLD

(At sponsoring organization in October.)

Suggested Introductory Remarks for Leader:

Stand back and take a look at yourself and your community. Where can you seek a career that provides the kind of job and livelihood you want?

Career opportunities abound in broad fields of business and professions that may never have occurred to you. Opportunities are constantly growing in processing, marketing, sales, distribution, research, advertising, accounting, housing, insurance, electric service, credit service, public relations, law, computer programing, and many more.

Through exploring these opportunities you can learn what they are, where they are, how to train for them, and if they would fully use your skills and aptitudes. Many of these are in our community.

We shall discuss businesses selling goods and services and the laws under which they operate. The American business system is based on the belief that citizens have the right to work at careers of their own choice and the right to own property.

Most businesses can be grouped into one of three types: Individual ownership, partnership, and corporation. The corporate business type is divided into two kinds—investor-owned corporation and member-user-owned cooperative corporation. These items are often shortened to corporation and cooperative. You will learn more about types of business organization as you further explore your business or career interest.

During this meeting, we shall discuss the American business system, how people create and use organizations, and business in the United States. Here are some suggested questions for discussion that may help you.

(Hand out questions.)

The letters and numbers at the end refer to the reference and page number. For example, A-5 refers to Cooperatives in Agribusiness—reference A, page 5.

American Business System

(Plan for local attorney to help.)

1. What is the American business system? (A-5) (E) (F)

2. How do the various freedoms guaranteed every American citizen contribute to your opportunity to achieve your goals in the American business system?

3. How do business establishments serve your family? (B-3-17) (E-6-7) (F-8-9)

4. How do consumers benefit from our business system? (E-6-7) (F-8-9)

5. What are some of the advantages and disadvantages of the American business system? (B-6-15) (E-12-13)

6. Why is it necessary to have a stable Government for our business system to operate effectively? (E-14-15)

7. Do business systems like ours exist in all countries? Why or why not?

How People Create and Use Organizations

1. What does the term organization mean to you? (E-2-7)

2. Why do people organize? Is a football team organized? Is your group organized? How can you tell? (E-2-3)

3. How would you judge if a football team or a club is well organized? (E-2-3)

4. How many organizations in your community, or county, can you name in the following categories? (List on a chalkboard.)

Religious	Business
Social	Political
Civic	Government
Farm	Any other broad category

5. Why do organizations have directors? Officers? A manager? Employees? (A-17-18) (D-29-33) (E-22) (F-15)

6. What purposes are served by articles of incorporation or charter and bylaws in an organization? (A-13-14) (B-16) (E-22) (F-14)

7. Does each individual who is a member of an organization usually give up some individual freedom to be a part of an organized group? Is this good or bad? (A-14) (D-28-29) (E-3)

8. Are organizations subject to some degree of control or influence by Government? (A-13) (D-19-21) (E-14-17)

9. What are the legal processes in organizing a business for the career you wish to follow?

10. What organization in your community offers you an opportunity to use your enthusiasm, hope, and imagination in your chosen career?

Business in the United States

(Plan for a local banker and one or two other local business leaders to help in directing discussion.)

1. Why is it necessary to organize before starting business? (E-7)

2. Name some goods and services consumers secure from business firms—(E-12-13) from Government services. (E-14-15).

3. What is the meaning of "competition"? (E-12)

4. How does competition among business firms affect the price and quality of goods and services offered to consumers? (E-12)

5. Why do businesses specialize in certain jobs such as: Manufacturing, computers, operating truck lines, providing accounting service. Some conglomerate businesses perform many jobs. Why?

6. Why is Government concerned about how business operates? (E-14-15)

7. In what business area is your career interest: Basic production, processing manufacturing, distribution, or services? (E-12-13)

8. What ability or talents do you have that may be a key to your success in your chosen field?

9. What phases of a career in the field you are considering would make you a happy and well-adjusted person? Why?

Checklist of Terms

The following exercise is to determine your understanding of some terms commonly used in business. Many are used in any business organization: Net margin, liability, asset, manager, operating costs, and capital. Stockholders and directors are terms used in investor-owned and cooperative corporations. Patronage refund, revolving fund, patron, and retain are terms commonly used in cooperative corporations. (Leaders may want to add others that apply to local conditions.)

Only one answer in the right column is MOST NEARLY CORRECT for the term, or terms, shown in the left column. Show this by placing the appropriate letter in the space to the left of the number in the left column. (Key below.) *(Try your ideas here--as a group)*

1. Net margin
   (D-4) (D-39-40) (F-21)
2. Patronage refund
   (A-12) (C-7) (D-4) (D-39) (F-21)
3. Revolving fund
   (A-24-25) (D-39-40)
4. Patron
   (A-14-18) (B-16-17)
5. Liability
   (B-7) (E-23) (F-21)
6. Stockholders
   (A-8) (E-23) (F-21)
7. Asset
   (D-37) (F-21)
8. Manager
   (A-19) (D-31-33) (E-23)
9. Retains
   (D-40)
10. Director
    (A-18-19) (B-12) (C-15) (D-29-31)
11. Interest
    (D-5)
12. Operating cost
    (D-4-5)
13. Capital
    (A-21-26) (D-37-40)

a. What is owned, either money or property

b. People investing in stock of a corporation

c. Elected member of a policymaking body

d. Person who is directly in charge of day-to-day operations in a business

e. Day-to-day costs of doing business

f. A user of services of a business

g. Net margin returned to patrons in proportion to their use of business services

h. Anyone who sells to consumers

i. What is owed

j. Buying, selling, advertising, and the like

k. Patronage allocations reinvested as capital and designated for return to patrons in later years

l. Money or property used in the business

m. Funds withheld from sales proceeds, before making distribution to patrons

n. Difference between cost and selling price

o. Remaining after the paying of all expense

p. Payment for use of capital

Key 1-o 2-g 3-k 4-f 5-i 6-b 7-a 8-d 9-m 10-c 11-p 12-e 13-l

THIRD MEETING

HOW BUSINESSES OPERATE

(At sponsoring organization in November.)

Suggested Introductory Remarks for Leader:

The selection of your life work is a difficult and highly personal decision.

Most of us have difficulty in thinking objectively about ourselves. However, this is exactly what each of you must do to make the best choice for your future work. Choose a career within your own abilities and one in which you will be happy.

While you are exploring business organizations, take a look at yourself. Consider your physical, mental, and personal characteristics. Compare these with a career you are considering. Then see if the career you are considering offers opportunities to use the fullest range of your abilities and interests.

At this time in your life you are looking for guidance to determine what course you will follow. We hope to acquaint you with the many resources available through your school counselors and business organizations.

We hope that by exploring our topics for this meeting you may gain useful knowledge toward choosing your career.

Let's investigate the essentials of a successful business, the relationship of Government to business, and ways of organizing to conduct business.

Discussion Questions—How Businesses Operate

Essentials of a Successful Business

(Plan for one or two business people to help.)

1. How are the following items important to success in business? Capital (A-22 and 39) (D-37) (E-10) (F-6)—Credit (A-23 and 46) (D-41)—Facilities (A-23) (D-39)—Equipment (A-22)—Labor (E-9) (F-6)—Management (E-11) (F-7)

2. Name the steps to get a quart of milk from the farm to consumer. (E-13)

3. Is a quart of milk worth as much on the farm as it is in the local grocery? Explain.

4. How are production and marketing related? (E-13)

5. Why are financial records (bookkeeping) important for business success? Are these also important in a farm business?

6. Why are effective leaders important to the success of a business? (A-5, 15, 17) (D-29-31) (E-11)

7. Should Government guarantee a profit to business? Explain. (E-14-15)

8. How can you use the fullest range of your abilities and interests in pursuing your goals in a business?

Relationship of Government to Business

(Plan for an attorney to help.)

1. What is the meaning of private property rights? Is this important for the American business system?

2. How does the Government guarantee private property rights to individuals? (E-14-15)

3. How is a stable Government related to private property rights and to opportunity for success in business? (E-14-15)

4. Is it important for Government to exercise any degree of regulation over businesses? Explain. (A-13-14) (E-14-15)

5. What are some ways Government provides service and help for a farm business? (A-23, 24, 36, 37, 40, 44, 46, 47, 48, 50) (D-19-21) (E-14-15)

6. What are some services and assistance Government provides various businesses you are considering as a career?

Ways of Organizing to Do Business

(Plan for an attorney to help.)

1. What are three common types of businesses in the United States? (A-5-6) (B-6-17) (D-3) (E-28-29) (F-22-23)

2. What are the two kinds of corporations? (A-3) (B-10) (D-3) (E-22) (F-14)

3. Compare the methods of conducting business for each kind of corporation. (A-5-7) (B-10-21) (D-57) (E-28-29) (F-14-19)

What is its purpose?

Who controls the business?

Who owns the business?

Who votes in the business?

How is voting done?

Who decides policies?

What limits the amount of returns on ownership capital?

Who gets the net margins?

What limits the "life" of the business?

4. What are the advantages of incorporating a business? (B-12-13) Disadvantages? (B-13-14) Is it possible to incorporate a farm? Is your church incorporated? Your club? Your town?

5. If you were interested in organizing a business that would need a million dollars of capital initially, why would it be easier to get people to invest in a business that is incorporated? (E-23)

6. What is the function of a board of directors? (A-18-19) (D-29-31)

7. What are some of the more important things to consider in deciding what type business organization to set up for a given purpose? (A-5-9) (B-4-20) (E-18-25)

8. What do you need to know about types of business organizations to determine what best suits your ability and training?

9. How will the type of business organization you choose affect the training you need?

FOURTH MEETING

INDIVIDUALLY OWNED BUSINESSES

(At an individually owned business firm in December.)

(Note: Plan something special for the holiday season.)

Suggested Introductory Remarks for Leader:

Some persons seeking careers may consider the establishment of an individually owned business. They are in the majority. Six out of ten businesses in the United States are individually owned and operated.

Individual business transactions are the oldest and most familiar type of trade. In ancient times, individuals traded and exchanged goods with their neighbors. Most of our early merchants engaged in business as individuals.

While many of our town and rural stores are individually operated, the individually owned business is more dominant in farming than any other segment of the economy. Service stations, crossroads groceries, farms, restaurants, and dry cleaners are often individually owned.

Individual business owners earn a living for themselves and their families by providing goods and services people are willing to buy.

Individual owners are responsible for decisionmaking, management, providing capital, and labor for their business enterprise.

The individually owned business has some advantages: It is easy to control—the owner's judgment is final, and any profits are the sole property of the owner—they need not be shared.

It has some disadvantages: Any losses or liability for debts are borne by the owner, capital is limited to what the owner can put up or borrow, and when the owner of an individual enterprise retires or dies, the firm ceases to exist unless provision has been made to pass it to someone else.

We appreciate Mr(s) _____ inviting us here. He (She) will explain how this individual business operates and career opportunities as a profession.

(After the owner finishes explaining how the business is operated, discuss the following questions.)

Discussion Questions—Individually Owned Businesses

1. Name three or more other businesses in your community that are individually owned. How do their services differ from the firm you're visiting?

2. How does the number of individually owned businesses in the United States compare with the number of business partnerships? Investor-owned corporations? Cooperative corporations? Why?

3. Are most farms in the United States operated as individually owned businesses? Are some farms incorporated? Why? (A-7) (B-6) (E-18)

4. What are some of the important things that affect the amount of profit that can be made in an individually owned business? (A-7) (B-6-7) (E-19) (F-10-11)

5. What are the opportunities in a career you might consider as an employee of an individual business operation? What are the opportunities as an individual business or profession?

6. What are some of the advantages and disadvantages of individually owned firms? (B-6-7) (E-19) (F-11)

7. Why is the individually owned business you're visiting operated as such?

8. What training does a person need to be a successful individual business operator other than training in a chosen career?

9. How does an individual get enough capital to start a business?

10. Should an individual work for someone else to gain experience before establishing an individual business?

FIFTH MEETING

PARTNERSHIPS

(At a firm operating as a partnership in January.)

Suggested Introductory Remarks for Leader:

Your career may be influenced by a family business or farm operation in which you could become a partner. A partnership is a business jointly owned by two or more people.

Partners are often able to accomplish by joint action what one could not do alone. They generally share the responsibility of managing, financing, and operating the business. Sometimes one partner has experience, another youth, another capital.

Partners usually work actively in the day-to-day operation of the firm. They expect to earn a livelihood by providing goods and services. Earnings are divided among partners according to the partnership agreement. Usually, this works out on the basis of how much experience, money, and time each has invested.

Partnership agreements should be in writing to avoid possible misunderstanding. This is especially important to you if your relatives not included in partnership operations have an inherited interest in the business.

Some advantages partnerships have over individually owned firms are: The amount of capital available is usually greater, several partners may bring special or new skills and training into the firm, and all profits belong to the partner-owners.

Some disadvantages include: If one partner makes a mistake that costs the business money, all the partners lose; each partner is liable for any and all debts of the partnership; and if one of the partners dies or leaves or a new partner wishes to buy into the firm, the other partner(s) must make a settlement and organize a new partnership.

We appreciate Mr(s) _____ and Mr(s) _____ inviting us to their business partnership called _____. They will explain how their partnership works and career opportunities.

(After the owners have finished explaining how their partnership operates, discuss following questions.)

Discussion Questions—Partnerships

1. Name three or more other business partnerships operating in your community. How do their services differ from the one you're visiting?

2. What are the advantages of a business partnership? Disadvantages? (A-7) (B-8-9) (E-21) (F-13)

3. What is the difference between an individually owned business and a partnership? (A-5-7) (B-8) (E-20-21) (F-10-13)

4. In a partnership, do all partners necessarily furnish the same amount of capital? If not, what are some of the possible arrangements? (A-7) (B-8) (E-21) (F-12-13)

5. In a partnership, how are profits (or losses) divided? (A-7) (B-8) (E-20) (F-12)

6. Why should a partnership agreement be in writing? Do you know of a partnership agreement, for example, between father and son(s)? Is this agreement in writing? Should it be in writing? (A-7) (B-8) (E-20) (F-12-13)

7. What usually happens to a partnership if one of the partners leaves or a new partner enters the business? (A-7) (B-9) (E-20) (F-12-13)

8. If you formed a partnership, what special skills would you want your partner to possess?

9. How does a partnership get more ownership capital with which to expand its operations? (A-7) (E-21)

10. If you had money to invest, would you be as willing to invest it in a partnership (by becoming a partner) 1,000 miles away as you would in a corporation 1,000 miles away? Why?

11. If you were a partner in a business that failed, would it be possible for you as a partner to lose more money than you had invested in the business? Explain. (A-7) (B-9) (E-21) (F-12)

12. Why is the business you're visiting operated as a partnership?

13. What are the opportunities in the career you are considering as an employee of a partnership firm? What are the opportunities if you find a suitable partner for forming a partnership business of your own?

14. What training is needed to operate a partnership successfully?

SIXTH MEETING

INVESTOR-OWNED CORPORATIONS

(At an investor-owned corporation in February.)

Suggested Introductory Remarks for Leader:

Some of you may want a career working in larger business organizations. Others may want to work for a large organization to gain experience before starting a business of your own. In either instance, you probably will be working for a corporation.

Two major kinds of corporations are an investor-oriented corporation and a member-user-oriented cooperative corporation.

A corporation is a group of people empowered by law to act as a single person. In effect, the corporation is an artificial person. Both types of corporations are State chartered businesses, usually organized under the laws of the State in which they have their main office.

When people want to form a corporation, they file articles of incorporation—usually with their State government. Articles are statements of the type and scope of business the corporation will perform. The State issues the new corporation a charter when the articles meet requirements of laws governing corporations. The charter authorizes the corporation to organize, elect officers, borrow money, sell stock, own property, and perform other transactions necessary to conduct business. People who buy stock are called stockholders. Stockholders are the owners of the corporation.

Corporations are especially suited for large-scale activity and have several advantages over partnership and individual businesses? They can have many owners (stockholders), therefore, it is possible to get more money into the firm; limited liability—normally each stockholder risks only the amount invested; and ownership changes do not interrupt business operations. Corporations have some disadvantages compared to individual and partnership firms: Stockholders are limited in decisionmaking to their right to vote; legal processes involved in organizing and operating a corporation may become time consuming, expensive, and tedious; and stockholders, customers, or member-patrons may feel corporate services become impersonal as the organization grows in size.

Stockholders in investor-owned corporations have as many votes as they own shares of voting stock. They use these votes to elect directors at the annual stockholders' meetings.

Directors decide policy, set goals and objectives, and hire the manager and may approve key staff members to manage the corporation. This staff is responsible for managing the firm's daily operation in a manner to achieve the goals and objectives established by the directors. It informs the board of operations and the extent to which goals and objectives are being achieved. The key staff hires operating employees.

Investor-owned corporations are established to make a profit for stockholders by selling goods or services. These profits are paid stockholders in the form of dividends in proportion to shares of stock held.

In dollar terms, more business is conducted in the United States through corporations than all other forms of business. Furthermore, corporations, both investor-owned and cooperative, operate in all segments of our economy.

We appreciate Mr(s) _____ inviting us to _____, an investor-owned corporation. He (She) will explain how this corporation is organized and career opportunities. As we proceed, he (she) may have others join us.

(After key staff members explain the corporation's operations and career opportunities, discuss the following questions.

Discussion Questions—Investor-Owned Corporations

1. List several well-known business corporations in your community. How do their services differ from the corporation you're visiting?

2. What do we mean by a corporate form of business? (A-7) (B-10) (E-22) (F-14)

3. What are the advantages of incorporating a business? Disadvantages? (B-12-14) (E-23) (F-15)

4. What are the features of an investor-owned corporation? (B-14) (E-22-23) (F-14-15)

5. What caused the corporate form of business to be developed? Is this found in other countries as well as the United States? (A-7-8) (E-22-23)

6. What caused more and more businesses to be set up as corporations? (A-8) (B-12-13) (E-22-23) (F-14-15)

7. Do corporations, as a rule, use more capital than individually owned businesses or partnerships? (A-7-8) (B-13) (E-22-23) (F-14-15)

8. How does one become a part owner of a corporation? (A-8) (B-13) (E-23) (F-14-15)

9. What are common stocks? What are preferred stocks? (A-21) (E-23)

10. How would you find out the price of a particular stock at any given time? (A-7)

11. Are stock brokerage services provided locally?

12. Does the owner of common stock in a corporation usually have any vote in the affairs of the corporation? How? What is meant by proxy voting? (A-21) (B-15) (E-23) (F-15)

13. Why does a corporation have a board of directors? How are these usually selected? (A-18-19) (D-29) (E-22)

14. What are the duties of the board of directors? Where can you find these for any particular corporation? (A-18-19) (D-29-31) (E-22)

15. What is the meaning of limited liability or limited risk in a corporation? (A-8) (B-13) (E-23) (F-15)

16. Does the Government exercise any control over corporations? Explain. (A-7) (E-16-17)

17. Does the corporation or corporate form of organization make it possible for consumers in the United States to have more and better goods and services, at cheaper prices, than would have been possible otherwise? (A-2-3) (E-17)

18. To whom do the profits made by an investor-owned corporation belong? How are these distributed? Who decides? (A-7-8) (B-15) (E-22-23) (F-14-15)

19. If a corporation loses money, who stands this loss? (A-8) (B-15)

20. What are the opportunities in the career you are considering as a corporation employee?

21. What training do you need to become employed in a corporation at the position you desire?

22. How do employees in a corporation gain advancement?

23. What training do corporations offer in the field you are considering for employment?

24. How does this training compare with other firms?

SEVENTH MEETING

COOPERATIVE CORPORATIONS

(Meet in March at a cooperative engaged in a different service than the sponsoring organization. This gives broader cooperative exposure.)

Suggested Introductory Remarks for Leader:

Member-user-oriented cooperative corporations have the same advantages as investor-oriented corporations over individual and partnership firms. A large number of people may jointly form the business. Cooperatives can keep on doing business during a change of ownership. Usually the owner's liability for debts of the firm is limited to the amount of the money each has invested.

Cooperative corporations, like investor-owned corporations, get their charter under a State law designed specifically for cooperatives.

Cooperative corporations are distinctive business corporations. They are formed by groups of people to get products or services that are otherwise: Unreliable, too expensive, poor or unsatisfactory quality, not available when needed, or otherwise unavailable.

Their owners invest with the purpose of using the cooperatives' services. Cooperatives provide a wide range of services in our country. These include credit, housing, medical care, electricity, telephone, insurance, marketing, supply procurement, and many more.

While cooperatives are found in all segments of our economy, they are especially valuable to farmers in marketing their products, acquiring supplies, or obtaining needed services.

Research by Agricultural Cooperative Service, U.S. Department of Agriculture, indicates that more than half of all farmers use farm marketing, supply, and service cooperatives. At the first handler level, farmers use cooperatives to market a third of their products. They purchase nearly a fourth of all farm supplies through cooperatives. They also use cooperatives for specialized needs such as trucking, storage, cotton ginning, and related services.

In contrast to businesses established to produce a return on investments, cooperatives are formed to provide services to their user-owners.

This relationship is based on five widely recognized distinct cooperative characteristics.

The first characteristic is democratic member control. In most cooperatives, each member has one vote, regardless of how much stock is owned or how much the cooperative's services are used.

In a few cooperatives, members vote according to their volume of business with the cooperative—number of pounds of milk, or crates of fruit marketed, for example. Members use their vote to elect a board of directors. The directors decide policy and employ a manager, and perhaps other key staff members.

The second characteristic stresses service at cost. Cooperatives achieve this by returning or allocating any excess of revenue over expenses to patrons in proportion to the amount of business each transacted with the cooperative. The amount allocated on the books rather than returned constitutes the member's equity account.

At least 20 percent of the patronage allocation must be returned in cash. The remaining portion is credited to patrons but retained by the cooperative to provide additional capital for operation and expansion. Directors decide how the distribution is computed, when it is distributed, and the form of the distribution.

The third characteristic is limited returns on capital members invest. Members may receive interest type payments limited to 8 percent or less for capital invested in their cooperative. Thus,

the cooperative may pay interest on member investments as one of the costs of business operation. Restrictions on investment returns discourage persons from taking advantage or control of cooperatives for their own personal gain. Many cooperatives pay no interest on member capital.

The fourth characteristic is member owned and financed. People organizing the cooperative invest their money in the business they plan to use. Their objective is to get desired services. They keep their right of individual ownership and decisionmaking, and enjoy the advantage of joint or mutual effort in pooling their resources to get services. Ideally, responsibility for financing the cooperative should be in proportion to use.

The fifth characteristic is limited operations. For agricultural marketing cooperatives, the Capper-Volstead Act provides farmers "may act together" in collectively marketing their products. This is usually called limited antitrust to producers. The act limits producers to operations of mutual benefit, and the association must not deal in products of nonmembers amounting to more than one-half the business. The act also protects the public by limiting the possibility of producers charging too high prices.

These five characteristics—Democratic member control, service at cost, limited returns on member capital, member owned and financed, and limited operations—distinguish cooperatives from investor-owned corporations.

We appreciate Mr(s) _____ inviting us to _____, a cooperative corporation engaged in _____. He (She) will explain how this cooperative is organized and career opportunities. As we proceed, others may join us.

(After key staff members explain cooperative operations and career opportunities discuss the following questions.)

Discussion Questions—Cooperative Corporations

1. List several cooperatives that offer services in your community or county. Include those serving farmers, consumers, and businesses.

2. How is a cooperative corporation like an investor-owned corporation? What makes a cooperative corporation distinctive? (A-8-9) (B-15) (D-3-6) (E-24-25) (F-17-19)

3. Why do people organize cooperatives? (A-8) (B-16) (C-1-2) (D-1-2) (E-24)

4. How does a person become eligible to vote in a cooperative? (A-10-11) (B-18) (C-4-5) (D-3-4) (E-24)

5. Why does a cooperative have a board of directors? (A-18) (D-29-31)

6. What are the duties of a board of directors? Where can you find the duties spelled out for any corporation? (A-18-19) (D-29-31)

7. Does the limited liability we discussed for the investor-owned corporation also apply to cooperative corporations? (A-9) (B-15-16) (E-25)

8. Does the Government exercise any control over cooperative corporations? Explain. (A-8) (B-16) (C-15-16) (D-9-10 and 19-21) (E-14-17)

9. At the end of the operating year, if a cooperative has a net margin, to whom does this money belong? Explain. (A-12) (B-18-19) (C-6-8) (D-4-5) (E-28-29)

10. What do we mean when we say that a cooperative corporation is a user organization, while the investor-owned organization is established for profit from serving others? (A-7-8) (B-16-17) (E-22-25) (F-22-25)

11. Why do farmers organize cooperatives? (A-1-4) (C-11) (D-1)

12. Is there a profit motive in a cooperative? Explain. (A-12) (D-4) (E-24)

13. Why is efficient operation of a cooperative important? (A-12) (C-11) (D-31-33)

14. What is the meaning of service at cost in a cooperative? (A-11-12) (B-18) (C-6-9) (D-4-5)

15. What are some of the ways members can help strengthen a cooperative? (A-17-18) (D-28-29)

16. Why are limits placed by law on the returns paid on invested capital in a farmer cooperatives? (A-11) (B-19) (C-9-10) (D-5) (F-19)

17. Why do members need to finance their cooperative? (A-21-23) (D-38-39)

18. How are cooperative operations limited? (D-6)

19. What are the five commonly accepted characteristics of cooperatives? (A-10-12) (B-17-20) (C-3-10) (D-3-6)

20. What are some of the important off-the-farm business activities farmers are doing through cooperatives? List several. Do cooperatives in your own community offer these services? (A-27-50) (B-21) (C-11-12) (D-8-9) (E-26-27)

21. If a group actually raises a substantial part of the money needed for a cooperative, what are some of the sources from which they may be able to borrow additional money? (A-23-26) (D-41-42)

22. State governments usually have statutes for the organization of cooperative corporations and investor-owned business corporations. Do these laws specify requirements and responsibilities for these corporations? Explain. (A-7) (B-16) (C-14-16) (D-9-10) (E-16-17)

23. What are some of the career opportunities you might find as a cooperative employee? (A-50-52) (B-21-22) (E-26-27)

24. What alternative career possibilities in cooperatives are you exploring that show promise? (A-50-52))

25. What training do you need to become employed in a cooperative at the position you want? (A-51-52)

26. What provisions are made for employee advancement in the cooperatives that interest you?

27. What training is offered by cooperatives you are considering for employment?

28. How does the career you are considering provide opportunity for using the fullest range of your abilities and interest? (A-53-54)

EIGHTH MEETING

WHAT COOPERATIVES LOOK FOR IN EMPLOYEES

(Return to sponsoring organization for April meeting. Have key cooperative employees present.)

Suggested Outline for Leader or Manager (Use a tour or visual presentation):

We are delighted to welcome you back to our cooperative. We want to tell you more about our organization. Our key employees have heard much about your activities and are anxious to meet you. (Introduce employees present.)

We are proud of our cooperative organization and its activities. We want to share this information with you.

- How our cooperative is organized.
- Activities in which we engage.
- Our plans for the future.
- Career areas in which we need employees.
- Other points of major interest or concern.

Suggested remarks for cooperative personnel director, manager, or leader:

Many of you will look for employment in business and industry when you finish your education. We hope some of you will find positions in cooperatives. We have shown you and talked to you about our cooperative. Many opportunities exist in this and other cooperatives in almost every career field. These include technical areas, distribution, research, journalism, accounting, and other areas.

Almost a fourth of our Nation's total work force is employed in agribusiness. As you seek employment, we hope you will not overlook satisfaction of service to members in cooperatives.

What we look for in our employees falls into three principal areas: Personal character, vocational ability, and other characteristics.

Personal character. As a member of (Youth Organization) , the high code of ethics of the organization has become a way of life with you. We consider membership in your organization and other youth groups of great value.

Personal traits that make you a good member are essential for success in our business organization: Integrity, self-control, truthfulness, loyalty, cooperativeness, dependability, and good personal appearance.

We place integrity first. Are you a person who can be counted on to do what you say you are going to do, a person who always tells the truth, and a person who respects the possessions of others?

Cooperativeness is extremely important. In these days when our relationships with each other are so complicated, the individual must work hard to get along with other people. If you are emotionally mature, consideration for others will be easier.

You should always want to be a credit to your employer and yourself. Thus, you should be concerned about personal grooming and personal behavior. Be up to date but not way out.

Good health is a desirable personal quality. Not everyone is a perfect specimen of physical health, and not all problems are correctable. Yet we can learn to make the best of what we have.

Vocational ability is important. Get a formal education, going as far as your ability will carry you in the field of your interest. Those entering technical fields should include sufficient courses in the humanities, in business, in the arts, to have a well-balanced education.

In today's business community, there is need for people with ability and practicality. This means people who are imaginative and creative in handling day-to-day problems.

The desire to achieve and find happiness in your work will do much to help win recognition and advancement. Be competitive and have the courage of your convictions.

Other characteristics such as knowing the community, its business activities, and the heritage of residents are valuable toward serving cooperative's patrons and understanding their problems. Employees who assume leadership positions in their communities generally demonstrate the same qualities in their jobs.

Cooperatives like employees who develop a sincere interest in the cooperative way of doing business. In addition to receiving a pay check, there is opportunity to serve the needs of people.

The speaker may want to tell the group how to apply for employment in the cooperative.

Provide for a question and answer period.

These suggested questions will help you get started:

1. Why do cooperative employees need to know about other methods of business organization?

2. Why should cooperative employees understand cooperative purposes, objectives, and operations?

3. Where do employees get information concerning cooperatives?

4. Do cooperative employees expect competitive salaries and benefits?

5. What responsibilities do cooperative employees have to become better prepared to perform duties?

6. What responsibilities do employees have to members?

7. What responsibilities do employees have to their manager?

8. How can employees build cooperative image?

9. What advantage, if any, is there to employees helping build cooperative image in the community?

10. What opportunity do cooperative employees have to serve the needs of people?

Optional—administer Cash-In exercise as shown in Appendix VII.

NINTH MEETING

RECOGNITION DINNER

(Recognition dinner meeting with parents in May.)

For the final meeting ask parents, professional and business associates, and cooperative employees who have helped to attend the dinner. Invite newspaper, radio, and TV representatives.

Present special certificates of recognition to each youth who completed the program. (Sample certificate in Appendix IX.)

Express appreciation and present special certificates to each business and professional associate and cooperative employee who has helped with the program. (Sample certificate in Appendix X.)

Have photographer present to take pictures for appropriate local news story.

Appendix I

AMERICAN INSTITUTE OF COOPERATION

Sample Order Form

American Institute of Cooperation
Suite 508
1800 Massachusetts Ave., N.W.
Washington, D.C. 20036

Please send ____ copies of *How We Organize To Do Business in America* and ____ copies of *Business in Our Community* for youth enrolled in *Opportunities in Cooperatives*.

Our check for $____made to American Institute of Cooperation is enclosed based on publication cost table.

1 copy — free
2-25 copies — $1.00 each
26-50 copies — $.90 each
51-100 copies — $.85 each
101-1000 copies — $.80 each
Over 10,000 copies — $.70 each

_____
(Name)

_____
(Organization)

_____
(Street or Box No.)

_____
(Post Office—Zip Code)

Appendix II

AGRICULTURAL COOPERATIVE SERVICE

Sample Order Form

Agricultural Cooperative Service
U.S. Department of Agriculture
Washington, D.C. 20250

Please send one copy each of the following for young people enrolled in *Opportunities in Cooperatives.*

Cooperatives in Agribusiness. Cooperative Information Report 5.

Cooperatives—Distinctive Business Corporations. Cooperative Information Report 3.

Cooperative Principles and Legal Foundations. Cooperative Information Report 1, Section 1.

Understanding Your Cooperatives. Cooperative Information Report 6.

_____
(Name)

_____
(Organization)

_____
(Street or Box No.)

_____
(Post Office—Zip Code)

Appendix III

Youth Cooperative

Articles of Incorporation of _____
(Name of Youth Cooperative)

This is to certify that we, the undersigned, all of whom are residents and citizens of the State of _____ (and engaged in the production of agricultural products), hereby voluntarily associate ourselves for the purpose of forming a cooperative association with capital stock to be operated on a nonprofit basis under and by virtue of Chapter ____, Public Laws of _____(State)_____, (19____) and amendments thereto, and for that purpose adopt these Articles of Incorporation.

Article I— Name and Place of Business

The name of this corporation is _____ Youth Cooperative. The principal office of business of the association shall be at ____Town____, in the County of _____, State of _____.

Article II—Purpose

The cooperative is formed for the following purpose: To purchase and sell for and to members any supplies desired by the membership and to conduct any other business authorized or allowed cooperatives organized under Chapter _____ of the _____State_____ (19____) General Assembly, all on a cooperative basis for the mutual benefit of participating youth.

This cooperative may sell to nonmembers provided the supplies sold to nonmembers are not greater in value than those sold to members.

Article III— Powers, Limitations

This cooperative shall have the following powers:

(a) To borrow money without limitation, to give a lien on any of its properties as security for loans, and to make advance payments.

(b) To act as the agent of any member or members in any of the activities mentioned in Article II hereof.

(c) To advertise and develop markets for items handled by the cooperative.

(d) To buy, lease, hold, and exercise all privileges of ownership over such real or personal property as may be necessary to conduct the business of the cooperative.

(e) To acquire, own, and develop any interest in patents, trademarks, and copyrights connected with or incidental to the business of the cooperative.

(f) To have and exercise, in addition to the foregoing, all powers, privileges, and rights conferred on investor-owned corporations by the laws of this State except such as are inconsistent with the express provision of Chapter _____ of the _____State_____ (19____) General Assembly.

Article IV— Period of Duration

This cooperative shall start at the beginning of the cooperative youth program sponsored by ____Organization____ on (Date) and terminate at the end of it _____(Date)_____.

Article V—Directors

The board of directors of the cooperative shall consist of not fewer than seven members elected from the membership of the cooperative.

Article VI—Membership

Any participant in youth program sponsored by ___(Organization)___ shall be entitled to membership.

Article VII—Capital Stock

Section 1. The authorized capital stock of the cooperative shall be one hundred shares (100) of common stock with a par value of one dollar ($1.00) per share.

Section 2. The common stock of the cooperative shall be issued to and held by member patrons of said cooperative and no person, firm or corporation shall own or hold at any time more than one share of such common stock or shall have more than one vote in transacting business of the said cooperative. The transfer of said common stock must be approved by the board of directors.

IN TESTIMONY WHEREOF, We have set our hands this _____ of _____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

/s/_____ _____(address)_____

State of _____

County of _____

The execution of the foregoing application for charter of the (Name of Youth Cooperative) was this day duly acknowledged before me by _____, one of the incorporators therein named, for the purpose therein expressed.

Witness my hand and official seal, this the _____ day of _____, A.D., 19

(Notary Seal)

My Commission Expires

Bylaws of _____

(Name of Youth Cooperative)

Article I—Purposes and Power

The purposes for which this cooperative is formed and the powers it may exercise are set forth in the articles of incorporation.

Article II—Membership

Section 1. Qualifications. Any person who is a bona fide youth participant of the program sponsored by _____, and who agrees to be a patron of the cooperative and who pays such membership fees and meets such other conditions as prescribed by the board of directors, may become a member of the cooperative. This cooperative shall issue a certificate of membership to each member that shall be in the form prescribed by the board of directors but shall not be transferable.

Section 2. Suspension or Termination. If, following a hearing, the board of directors finds that a member has ceased to be an eligible member, it may suspend the rights as a member or terminate the membership. Upon termination of membership in the cooperative, all rights and interests of such member in the cooperative shall cease and such member shall be entitled only to payment or credit not to exceed the par value of the common stock certificate.

Article III—Meeting of Members

Section 1. Regular Meeting. A regular membership meeting shall be held fifteen (15) minutes prior to the regular monthly youth program meeting in the town of _____, State of _____, at the designated meeting place for the month or on a date the board of directors shall designate at least thirty (30) days in advance of the dates specified above.

Section 2. Special Meetings. Special meetings of the members of the cooperative may be called at any time by order of the board of directors.

Section 3. Notice of Meetings. Written or printed notice of every regular and special meeting of members shall be prepared and given or mailed to each member not fewer than five (5) days before such meeting. Such notice shall state the object or objects of and the time and place of meeting. No business shall be transacted at special meetings other than that referred to in the call.

Section 4. Voting. Each member shall be entitled to only one (1) vote.

Section 5. Quorum. Fifty percent of members shall constitute a quorum.

Article IV—Directors and Officers

Section 1. Number and Qualifications of Directors. The cooperative shall have a board of seven (7) members. Each director shall be a member of the cooperative in good standing.

Section 2. Election of Directors. At the organizational meeting of the members of the cooperative, directors shall be elected to serve on a staggered basis. Two (2) directors shall be elected to serve two (2) months, two (2) directors shall be elected to serve four (4) months, two (2) directors shall be elected to serve six (6) months, and one (1) director shall serve for the duration of the cooperative, and thereafter each director shall be elected for the duration of the limited life of the cooperative.

At least two (2) nominees shall be nominated for each directorship. All directors shall be elected by secret ballot and the nominee receiving the greatest number of votes for each position shall be elected. No director may be re-elected to the board until two (2) months elapse from previous service.

Section 3. Election of Officers. The board of directors shall meet within seven (7) days after the first election and each election thereafter and shall elect by ballot a president, vice president,

secretary and treasurer, each of whom shall hold office until the election of a successor or the dissolution of the cooperative.

Section 4. Officers' Duties. The duties of the president shall be to preside at all director meetings, preside at all cooperative member meetings, and promote the interest of the cooperative.

The vice president shall work with and act in the absence of the president and work with the manager in sales promotion.

The secretary-treasurer shall see that the membership roll is in order and keep the minutes of all board and membership meetings. This officer shall keep the record of all business transactions and provide the auditor all financial information necessary for preparing the final operating statement and balance sheet at dissolution of the cooperative.

Section 5. Manager. The board of directors upon organization shall appoint a manager. This person shall be responsible for the efficient conduct of business operations. This shall include appointment and supervision of all assistants appointed in the various operating groups.

Section 6. Auditor. The board of directors shall appoint an auditor to audit the treasurer's books and present a certified operating statement and balance sheet to the directors for the final membership meeting.

Section 7. Vacancies. When a vacancy occurs on the board of directors, other than the expiration of a term of office, the remaining directors shall appoint a member to fill the vacancy until the next regular member meeting.

Section 8. Board Meetings. In addition to meetings mentioned above, the regular meeting of the board of directors shall be held monthly or at such times and at such places as the board may determine upon 48 hours' oral or written notice.

Section 9. Quorum. A majority of the board of directors shall constitute a quorum at any meeting of the board.

Article V—Dissolution

This cooperative shall be dissolved as specified in the Articles of Incorporation.

Upon the dissolution of this cooperative, all debts and liabilities of this cooperative shall first be paid according to their respective priorities.

Distribution of net margins may be made at the recommendation of the board of directors and subject to the majority vote of the members on all or any portion of the net margins and may be distributed in any of the following ways:

(1) Declare patronage allocations be returned to all patrons in proportion to their purchase.
(2) Declare patronage allocations be returned only to those patrons who are members of the cooperative.
(3) Set aside funds toward payment of banquet at end of program.
(4) Or a combination of any of the above three.

Upon unanimous recommendation of the board of directors and unanimous vote of the membership all or any part of the membership fees and/or net margins of this cooperative may be given to any worthwhile cause in keeping with the purpose of the participating youth organization(s).

Article—VI

Bylaws may be amended or altered at any regular or special member meeting called for that purpose, by a majority of the members voting thereon.

Appendix IV

Sample Membership Certificate

This is to certify that

_____

(Name)

of

_____,

(address)

is a member of
Youth Cooperative
and is entitled to all rights, benefits,
and privileges of the cooperative.

Dated _____ _____

(Secretary)

This quiz series is provided for cooperatives wanting to send one or more youths to the annual conference of the American Institute of Cooperation or who want to select and recognize the outstanding youth at the final meeting.

Directions

- At the close of meetings 2 through 7, pass out appropriate Check exercise. When allotted time is up, exchange papers for correcting. Discuss as necessary. Leader should collect papers and record before next meeting. Each question counts one (1) point. There are 50 questions for all the Check exercises. If desired, a token prize may be given for high score(s) each time.

- At the eighth meeting, plan a short review program to allow time for the Cash-In exercise. The cooperative leader should collect papers for grading and recording. There are 50 questions for the Cash-In quiz. Each question counts one (1) point.

- Add the scores of Check exercises and Cash-In exercise to determine high scorer—possible score 100.

- Announce high scorers and make awards at ninth meeting (dinner with parents).

BE SURE YOUTH DO NOT HAVE ADVANCE ACCESS TO CHECK OR CASH-IN EXERCISES OR ANSWERS.

Appendix V

Check Exercises

Check Exercise for Second Meeting (The Business World)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 5 minutes to do this exercise. Each person must work individually.

Check Exercise— The Business World

_____ 1. For the American business system to operate, people involved need to understand and respect private property rights.

_____ 2. In the American business system, the business owner may fail as well as succeed or make a profit.

_____ 3. It is important to have officers in any organization.

_____ 4. Our Government does not provide any control over, regulation of, or help to any business in this country.

_____ 5. The American business system does not provide any benefits to consumers with its goods and services.

_____ 6. Business organization is one key to the remarkable development of American business.

_____ 7. The articles of incorporation and bylaws of an organization are prepared to help it function more effectively.

_____ 8. Most organizations desire trained personnel who show enthusiasm, hope, and imagination.

_____ 9. Persons who become members of an organization may give up some individual freedom.

_____ 10. Most of the goods and services we have in the United States are produced by businesses of various types rather than by Government owned and operated business organizations.

Check Exercise for Third Meeting (How Businesses Operate)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions:

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 5 minutes to do this exercise. Each person must work individually.

Check Exercise—How Businesses Operate

_____ 1. Most of the total business in the United States is conducted by business rather than Government organizations.

_____ 2. Corporations tend to be larger than individually owned firms and partnerships.

_____ 3. Most individually owned businesses have boards of directors.

_____ 4. Each State specifies by State law the requirements that must be met before a business organization is permitted to incorporate.

_____ 5. For each of us to effectively use the right to own private property, to trade or sell such property, or pass it on to our heirs, the right must be protected by law.

_____ 6. Most businesses can be grouped into one of three types: individual ownership, partnership, corporations.

_____ 7. Production and marketing always must be planned together.

_____ 8. A well-managed business may lose money for a period of time.

_____ 9. In the successful operation of a business, attention must be given to the use of capital, labor, and management.

_____ 10. It is unnecessary to do any organizing to successfully conduct a business.

Check Exercise for Fourth Meeting (Individually Owned Businesses)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions:

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 3 minutes to do this exercise. Each person must work individually.

Check Exercise—Individually Owned Businesses

_____ 1. Owners of individually owned businesses are responsible for decisionmaking, management, and providing capital for their respective organizations.

_____ 2. Most farms in the United States are owned and operated as individually owned businesses, but some are partnerships, and some are corporations.

_____ 3. If an individually owned business were to fail, it would not be possible for the owner to lose more than invested in the business.

_____ 4. In an individually owned business, profits need not be shared.

_____ 5. Most individuals operating their own business need only training in a chosen career to be successful.

Check Exercise for Fifth Meeting (Partnerships)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions:

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 3 minutes to do this exercise. Each person must work individually.

Check Exercise—Partnerships

_____ 1. It takes four or more people to form and operate a partnership.

_____ 2. No partnership either buys from or sells to corporations.

_____ 3. In a partnership, the firm continues to operate without reorganization if one of the partners withdraws or dies.

_____ 4. Most businesses were partnerships in early U.S. history.

_____ 5. Partnerships derive capital from individual resources, borrowing from commercial banks, other financial institutions, and sale of shares of stock.

Check Exercise for Sixth Meeting (Investor-Owned Corporations)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions:

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 5 minutes to do this exercise. Each person must work individually.

Check Exercise—Investor-Owned Corporations

_____ 1. Many thousands of stockholders may own an investor-owned corporation.

_____ 2. Usually, because of the limited personal liability, it is easier to get people to invest money in an investor-owned business corporation than in a partnership.

_____ 3. One advantage of a corporation is that it can continue without having to reorganize if one or more of the owners withdraws or dies.

_____ 4. The certificate issued by a State government to a group of people authorizing them to conduct business as a corporation is usually referred to as bylaws.

_____ 5. People set up investor-owned business corporations primarily to make a profit on their investment.

_____ 6. The dollar value of business transacted by corporations of various kinds in the United States is smaller than all business conducted by individually owned and partnership firms combined.

_____ 7. The key staff of a corporation usually determines policy.

_____ 8. A corporation is a group of people empowered by law to act as a single person spoken of as legal entity.

_____ 9. Stockholders in an investor-owned corporation have as many votes as they own shares of voting stock.

_____ 10. Corporations may employ people trained for many different careers.

Check Exercise for Seventh Meeting (Cooperative Corporations)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions:

Each statement counts one point.

Each statement is either TRUE OR FALSE. Place a "T" to the left of each true statement and an "F" to the left of each false statement.

Each statement you answer incorrectly counts one point off. Each statement you leave blank counts one point off.

You have 5 minutes to do this exercise. Each person must work individually.

Check Exercise—Cooperative Corporations

_____ 1. Five basic cooperative characteristics are (1) democratic member control, (2) operations at cost, and (3) limited returns on capital, (4) member-owned and financed, and (5) operations are limited.

_____ 2. A cooperative may be organized to provide goods and/or services to members in almost any endeavor where need exists.

_____ 3. Because a cooperative business corporation is set up primarily to benefit members as users, it is logical for members to exercise control over its affairs.

_____ 4. All cooperatives vote on the basis of "one vote per member."

_____ 5. If members are to get the most benefit, then cooperative businesses need to be operated as efficiently as any other type of business.

_____ 6. Boards of directors in cooperative businesses are nominated by the manager.

_____ 7. Usually the employees of a cooperative who work under the manager are hired by the board of directors.

_____ 8. Basic business principles practiced by cooperatives are essentially different from those followed by other businesses.

_____ 9. Cooperatives employ people with training similar to those employed in investor-owned corporations to perform similar jobs.

_____ 10. Most employers seek specific skills of a high order today, but cooperatives offer a short cut to your career.

Appendix VI

CASH-IN EXERCISE

(Optional exercise on total program to use at eighth or final meeting before dinner meeting with parents.)

(Sponsoring Organization) _____

(Name of Youth) _____

(Date) _____

(Score) _____

Instructions for Cash-In Exercise

Time: 30 minutes (approximately)

PRINT INFORMATION CALLED FOR AT TOP RIGHT OF THIS PAGE. READ EACH STATEMENT CAREFULLY BEFORE ANSWERING IT. ALLOT YOUR TIME SO YOU WILL BE ABLE TO ANSWER EACH OF THE STATEMENTS WITHIN THE TIME LIMIT. THERE IS NO CREDIT FOR BLANKS. EACH STATEMENT COUNTS ONE POINT. A PERFECT SCORE IS 50.

Each of the following statements is either TRUE OR FALSE. Place a "T" to the left of each true statement. Place an "F" to the left of each false statement.

Cash-In Exercise

_____ 1. As organizations of people get larger, how members relate themselves to each other in the organization becomes less important.

_____ 2. The term "American business system" means owners of businesses are free to decide what the firm does without regard to Federal or State laws.

_____ 3. The bargaining power of the individual farmer is great because each is the only source of a product that the buyer has.

_____ 4. An increasing number of agribusiness job opportunities are developing in farmer-owned cooperatives.

_____ 5. Executive officers of corporations comprise the governing body who determines policy.

_____ 6. Rural electric cooperatives have helped increase electric power and service for rural residents substantially since 1935.

_____ 7. In trying to determine whether a cooperative organization is "good," it is important to find out whether it is accomplishing the objectives of the members efficiently and economically.

_____ 8. Many area vocational schools, junior colleges, and technical institutes offer programs leading to agribusiness and other business careers.

_____ 9. Directors of corporations are elected at annual meetings.

_____ 10. Agricultural Cooperative Service, USDA, was established nearly 100 years ago.

_____ 11. A corporation is an artificial person or entity created by law.

_____ 12. Most corporations are incorporated under and chartered by State law.

_____ 13. Cooperative members' share of capital investment should be large enough to make them realize they have a financial stake in the business.

_____ 14. Cooperatives' net margins are distributed primarily on the basis of shares of stock.

_____ 15. The manager of a corporation decides what the corporation will do, and the board of directors decides how it can best be done.

_____ 16. Cooperatives and investor-owned corporations follow similar business procedures in striving for efficiency, meeting competition, seeking innovations, and in being cost-conscious.

_____ 17. The main sources of plant and equipment loans for farm supply and marketing cooperatives are Banks for Cooperatives, commercial banks, insurance companies, and other cooperatives.

_____ 18. Businesses are seeking employees trained to use the fullest range of their abilities and interest in pursuing their goals.

_____ 19. Service cooperatives usually have been organized by those who felt needs for services that were not available at reasonable costs.

_____ 20. A farmer who wishes to borrow money through a Federal Land Bank Association must own or buy stock in that association.

_____ 21. Because cooperatives are operated on a service-at-cost basis, they are not as interested in increasing their volume of business as are investor-owned corporations.

_____ 22. The manager of a cooperative has the same problems and uses similar techniques for operating the organization as a manager of an investor-owned corporation.

_____ 23. Many career opportunities abound in the agribusiness field for young people properly trained.

_____ 24. Cooperative corporations are physically unlike firms that perform similar services.

_____ 25. In today's world of big business, cooperatives have become obsolete.

_____ 26. Rural electric cooperatives issue stock shares in accordance with patronage.

_____ 27. Mutual irrigation companies supply water for about a quarter of the land irrigated in the United States.

_____ 28. In their day-to-day operations, cooperatives operate much differently from other types of businesses.

_____ 29. The Government does not exercise any control over business.

_____ 30. Occupations in agribusiness that are similar to those in other businesses require similar qualifications.

_____ 31. One major advantage of a corporation is continuity of existence.

_____ 32. Cooperatives make it possible for members to pool their resources and at the same time retain a large share of their personal freedom.

_____ 33. Most corporations are incorporated by, and chartered by, Federal law.

_____ 34. Mutual fire and life insurance companies are usually chartered as cooperatives.

_____ 35. Farmers are the only business people in the United States who use the cooperative form of business.

Multiple-Choice Questions Mark the letter of the best alternative given.

_____ 36. The cooperative had $30,000 left over after paying all costs, including 5 percent dividends on the $50,000 capital stock outstanding, and all taxes. This $30,000 belongs to:

(a) The users of the services during the year, and is supposed to be divided equally among them;

(b) the stockholders, as an additional return above the 5 percent on the invested capital;

(c) the users of the services of the cooperative during the year and should be divided among them according to the amount of use each made of the cooperative services during the year.

_____ 37. A large cooperative has $1 million invested in buildings, facilities and equipment. The office secretary needs a new typewriter. Whether she gets a new typewriter would be decided usually by:

(a) A vote of the total membership of the cooperative;

(b) a vote of the cooperative board of directors;

(c) the general manager or the head office secretary.

_____ 38. A cooperative is distinguished from other kinds of businesses in that:

(a) it issues stock;

(b) its prices are usually lower for things bought and higher for things sold;

(c) the excess of revenue over expense is allocated to patrons on a patronage basis;

(d) it is not a corporation.

_____ 39. Cooperatives can be organized to transact business in:

(a) only farm products and needs;

(b) only farm and farm supply services;

(c) only farming, farm supply and food processing, and distribution services;

(d) almost any legitimate field or activity, farm related or otherwise.

_____ 40. In a partnership, each partner is responsible for repayment of partnership debts:

to the limit of the amount each has invested in the partnership;
to one half of what each has invested in the partnership;
none of the debts;
dependent on terms of the partnership agreement.

_____ 41. American Institute of Cooperation is organized as:

(a) a marketing cooperative;
(b) a bargaining cooperative;
(c) an educational organization of farmer cooperatives;
(d) a part of Agricultural Cooperative Service.

_____ 42. Credit Unions are usually formed among persons:

(a) without common bond of employment;
(b) without business interest;
(c) with common bond of employment or association;
(d) seeking to make a profit.

_____ 43. Of the following, which is the most important in contributing to increased production?

(a) Natural resources;
(b) labor;
(c) capital;
(d) management;
(e) all four.

_____ 44. In selecting a career, the most important consideration should be:

(a) regular hours;
(b) achieving your goals;
(c) independence;
(d) high pay.

Matching

Place an "a" before those groups of people involved directly in daily operation of a business and the letter "b" before those who are not involved.

_____ 45. Manager
_____ 46. Clerical help
_____ 47. Product supplier
_____ 48. Fieldmen
_____ 49. Accounting staff
_____ 50. Creditor

Appendix VII

LEADER'S ANSWER SHEET

(DO NOT SHOW TO YOUTH)

(Note: These are considered the most nearly correct answers for national conditions.)

CHECK EXERCISES

Business World Check

1. T
2. T
3. T
4. F
5. F
6. T
7. T
8. T
9. T
10. T

How Businesses Operate

1. T
2. T
3. F
4. T
5. T
6. T
7. F
8. T
9. T
10. F

Individually Owned Business

1. T
2. T
3. F
4. T
5. F

Partnerships

1. F
2. F
3. F
4. F
5. F

Investor-Owned Corporations

1. T
2. T
3. T
4. F
5. T
6. F
7. F
8. T
9. T
10. T

Cooperative Corporations

1. T
2. T
3. T
4. F
5. T
6. F
7. F
8. F
9. T
10. F

CASH-IN EXERCISE

TRUE OR FALSE

1. F
2. F
3. F
4. T
5. F
6. T
7. T
8. T
9. T
10. F
11. T
12. T
13. T
14. F
15. F
16. T
17. T
18. T
19. T
20. T
21. F
22. T
23. T
24. F
25. F
26. F
27. T
28. F
29. F
30. T
31. T
32. T
33. F
34. T
35. F

MULTIPLE CHOICE

36. c
37. c
38. c
39. d
40. d
41. c
42. c
43. e
44. b

MATCHING

45. a
46. a
47. b
48. a
49. a
50. b

SAMPLE CERTIFICATE OF RECOGNITION FOR YOUTH

Certificate of Recognition Presented to

_____

(Name)

for completion of the experience offered through

_____

(Name of Youth Cooperative)

*Presented this*_____ *day of*_____ *19*___

_____

(Name of Sponsoring Organization)

_____ _____

(Manager) *(Leader of Youth)*

SAMPLE CERTIFICATE OF APPRECIATION FOR LEADERS

Certificate of Appreciation Presented to

_____

(Name)

for business and career assistance and leadership in the Program

_____

(Name of Youth Cooperative)

Presented this_____ day of ___ 19___

_____

(Name of Sponsoring Organization)

_____ _____

(Manager) *(Leader of Youth)*

Appendix XI

OPTIONAL REFERENCES

Cooperative Business Enterprises. Martin A. Abrahamsen. 1976. 491 pp. McGraw Hill, Inc.

Slides and film strips

Slides to accompany "Understanding Your Cooperatives."
"Cooperatives - Distinctive Business Corporations."
Purchase from American Institute of Cooperation.

16 mm films

"Cooperatives the Farmers' Way." Color. 24 minutes.
"How People Do Business in Our Democracy." Color. 14 minutes.
Purchase from American Institute of Cooperation.

Check Farm Credits Banks, regional cooperatives, rural electric and telephone cooperatives, stockbrokers, and other local business organizations for useful publications, slides, and films. Slides and films listed above may be available through your local cooperatives.

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For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

U.S. Department of Agriculture
Agricultural Cooperative Service
Washington, D.C. 20250

Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

ACS publishes research and educational materials and issues Farmer Cooperatives magazine. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, age, handicap, or national origin.

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Advising People About Cooperatives

Cooperative
Information
Report Number 29

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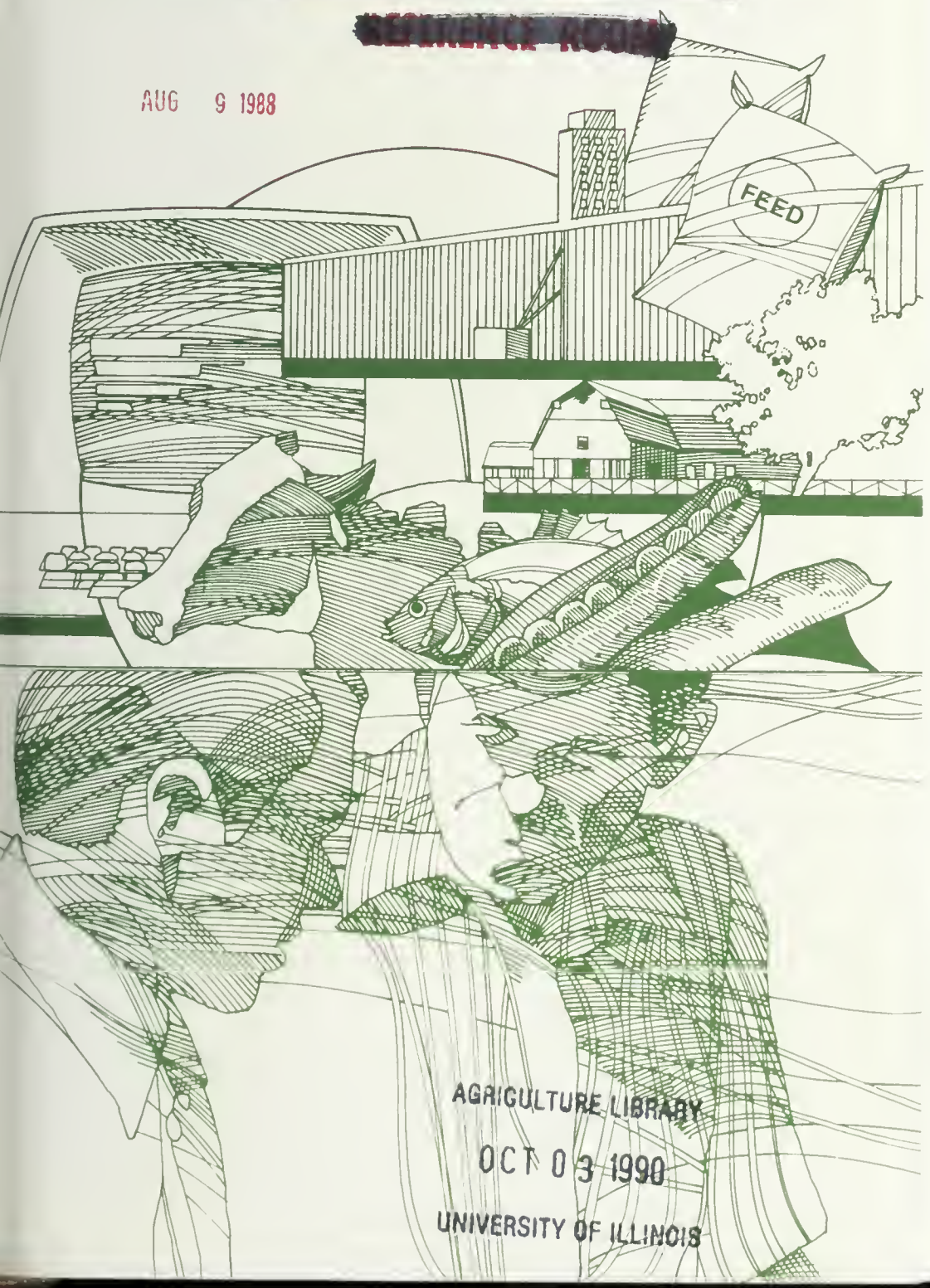

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Preface

A few individuals or a larger group of people may believe that forming a cooperative is the answer to their problems or needs. They expect you to appraise their problem objectively, make practical suggestions, and give professional assistance. Their interest may be in the more common agricultural marketing, purchasing, or service cooperatives; or in special cooperatives such as buying clubs, crafts, credit unions, fishing, food purchasing, forestry, housing, recreation, sewer, student, water or others.

Much has been written on cooperatives, but it would be unrealistic to expect you to have all information available. This publication provides background and references for educational programs on cooperatives. Organizations and their bulletins, books, visuals, and periodicals listed at the back of this publication provide ready reference on developing, organizing, financing, and operating cooperatives.

This publication is not intended to duplicate material or references available in other forms. Brief in some areas of major concern, it is not a substitute for professional assistance from Agricultural Cooperative Service, Cooperative State Extension Services, State cooperative councils, State departments of agriculture, farm credit banks, regional cooperatives, and other professional groups and organizations working with cooperatives.

Periodicals and news releases, including those on new publications, provide new and additional material.

Advising People About Cooperatives
Cooperative Information Report 29
Revised April 1988

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Advising People About Cooperatives

A cooperative is a user-owned and democratically controlled business in which benefits are received in proportion to use. Each year, income received from providing goods and services to members, less expenses and reasonable reserve, is returned to members on the basis of the value or quantity of business transacted with the cooperative.

People form cooperatives to obtain services for themselves they cannot get as economically, efficiently, or effectively as individuals. The cooperative provides the structural basis for them to voluntarily act or operate in joining resources—human or mental, physical or natural, and material including financial—to achieve an end. This grassroots concept enables them to work together in collective effort to solve problems or obtain a variety of services; manufacture and purchase supplies; produce, process, and market products; and generate sufficient volumes of business to improve bargaining power and competitive position relative to other businesses.

COOPERATIVES DISTINCTIVE BUSINESS CORPORATIONS

Three basic types of business organizations comprise our American business system: Individually owned business firms, partnerships, and corporate forms. Corporate forms may be either for profit and investor-owned, or like cooperatives, member-user-owned. (1)(2)(8)

In certain respects, cooperatives resemble other businesses. They have similar physical facilities, and must follow sound business practices. They usually incorporate under State laws. They draw up bylaws and other necessary legal papers. Members elect a board of directors. The board sets policy and hires a manager to run the day-to-day operations.

In other ways, cooperatives are distinctively different from other businesses. These differences are found in the cooperative's purpose, its ownership and control, and how its benefits are distributed. (1)(2)(8)

Cooperative Principles

Cooperatives operate according to principles that define or identify their distinctive characteristics. Four are most basic, have broadest application, and are the most widely observed.

SERVICE at COST A cooperative provides services to its members at the lowest possible cost. This does not mean every transaction is conducted at cost; as a business, a cooperative must generate sufficient income to cover operating expenses and meet continuing capital needs. It does mean earnings belong to the member/user, not to the business. (1)(2)(8)

OWNERSHIP BENEFITS and FINANCIAL OBLIGATIONS in PROPORTION to USE The more members use a cooperative, the more they benefit. First, they receive more services. Second, earnings are returned on the basis of use, not investment. As benefits follow use, so does the obligation to ensure adequate resources to continue to provide benefits. Per-unit retains and retained patronage refunds are tools to implement the user/financier objective. (1)

LIMITED RETURN on EQUITY CAPITAL This feature means that payment for the use of members' equity capital (primarily in the form of stock dividends) are limited. It does not mean that overall benefits realized from the cooperative, monetary or otherwise, are limited. The main value of the cooperative to its owners is in the services it provides. Limiting the return on invested capital complements the service orientation of the business and assures that margins are distributed on the basis of use. Limiting the payment for the use of equity capital is recognized by both Federal and State laws. To gain limited antitrust exemption provided by the Federal Capper-Volstead Act, farmers forming cooperatives must either limit dividends on stock or member capital to 8 percent per year or follow one-member, one-vote control. Some State laws require adherence to both principles, and some allow a higher dividend. (1)(2)(8)

DEMOCRATIC CONTROL Member/users control a cooperative, either on an equal basis or according to use, rather than being based on the amount of stock each member holds. Democratic control is usually expressed as one-member, one-vote. Limited proportional voting, based on use, is also acceptable. (1)(2)(8)

An Important Practice

COOPERATIVE EDUCATION In addition to operating under these distinctive principles, an important practice, particularly for new

Comparison of the Methods of Doing Business

			Corporation	
Features Compares	*Individual*	*Partnership*	*Investor-Oriented*	*Cooperative*
1. Who uses the services?	Nonowner customers	Generally nonowner customers	Generally nonowner customers	Chiefly the owner
2. Who owns the business?	The individual	The partners	The stockholders	The member-patrons
3. Who votes?	None necessary	The partners	Common stock-holders	The member-patrons
4. How is voting done?	None necessary	Usually by partners' share in capital	By shares of common stock	Usually one-member, one-vote
5. Who determines policies?	The individual	The partners	Common stock-holders and directors	The member-patrons and directors
6. Are returns on ownership capital limited?	No	No	No	Usually 8%
7. Who gets the operating proceeds?	The individual	The partners in proportion to interest in business	The stockholders in proportion to stock held	The patrons on a patronage basis

cooperatives, is to conduct continuing member education. Keeping owners educated on what's going on is important for any business, but it is vital in a cooperative for at least three reasons:

(1) The democratic control principle, exercised through majority rule, requires that the entire ownership be informed and involved to assure enlightened decisionmaking;

(2) The cooperative can be responsive to members' needs only if members express those needs and recognize they must bear the financial burden to fulfill those needs; and

(3) The rarity of the cooperative form of business in this country means our education system doesn't give much cooperative instruction in business and economic courses and, therefore, the cooperative must be the educational institution for itself.

TYPES OF COOPERATIVES

Historically, cooperatives perform one or more of three kinds of functions: Marketing products, purchasing production supplies, and providing services.

Brief descriptions of the more common types of cooperatives operating in the United States follow.

Agricultural Cooperatives

MARKETING Producing for consumer demands and expanding markets for products are increasing problems for farmers acting independently. Few farmers have products in quantities needed to deal directly with large wholesalers or retailers. Marketing cooperatives, as quantity assemblers, provide an increasing variety of off-farm processing and marketing services for about one-third of all products farmers produce.

Marketing cooperatives help farmers produce and process quality products to market specification. Early cooperative marketing included operation of grain elevators, milk plants, wool pools, cotton gins,

livestock markets, vegetable markets, and fruit packing plants. Modern marketing includes coordinated processing, canning, drying, blending, concentrating, extracting, freezing, or consumer packaging of animal and animal products such as dairy, fish, meat, and poultry; plus fruit, nut and vegetable products; and many more products in highly integrated organizations.

Marketing cooperatives enable farmer members to extend control of their products so long as their cooperative retains physical or legal title to a commodity handled through processing, distribution, and sale. (1)(2)(4)(8)(17)(20)

Bargaining cooperatives are a variation of marketing cooperatives. Producers join to gain strength in negotiating such items as price, quality, quantity, and delivery terms with processors and other buyers. Producers delegate authority to their bargaining associations to establish common quality, common price, and rules on marketing.

Bargaining cooperatives do not take possession of products or assemble, process, or distribute them. Bargaining cooperatives differ from usual marketing cooperatives in that facilities are limited generally to an office and perhaps a testing laboratory. Some cooperatives perform both bargaining and marketing functions. Examples are dairy cooperatives starting as bargaining organizations but subsequently adding processing facilities. (1)(2)(8)(17)(20)

PURCHASING Farmers turned to cooperatives as economic tools to gain advantage of quality and quantity in supply purchases such as feed, fertilizer, and seed. These early efforts extended to incorporated activities with full-time managers and warehouses to handle other production supplies and services, including petroleum products, farm chemicals, animal health products, fencing, building supplies, construction contracting, automotive accessories, and many others.

Most cooperatives have affiliated with other cooperatives, often through regional and interregional cooperatives. These efforts reduce farmer costs and strengthen purchasing power through owning large-scale facilities such as petroleum refineries, phosphate, potash, and nitrogen manufacturing plants; feed mills; research farms; laboratories; and other activities.

Purchasing cooperatives' objectives include savings for members through quantity purchasing, manufacturing, and distributing; procuring quality products; and providing related services as needed. Distribution to producer members is a major concern at the local level because added services are needed.

Many cooperatives perform both marketing and purchasing functions although they started as single-function organizations. (1)(2)(4)(8)(18)

SERVICE Agricultural service cooperatives provide services related to the production and marketing of farm commodities, or they may provide general services.

Related service cooperatives offer unlimited possibilities and are used in ever-widening circles to solve mutual problems and provide specialized services that affect location, form, or quality of farm products or supplies for members. Services may be part of the operation, or they may be performed by separate cooperatives. Examples of services related to handling farm supplies are applying fertilizer, lime, or pesticides; feed grinding or mixing; harvesting; plus many more. (1)(2)(4)(8)(18)

General service cooperatives provide a number of specialized services assisting farmers in their business.

Agricultural credit is provided through the Farm Credit System at the local level through Production Credit Associations and Federal Land Bank Associations. Rural electric and telephone cooperatives provide utility services. Other examples of general agricultural service cooperatives include artificial breeding, dairy herd improvement, farm machinery, grazing, grove management, irrigation, livestock feeding and production, pest management, research, and many others. (1)(2)(7)(8)(10)(11)(12)(13)(14)(15)(16)(18)(20)

CREDIT The Farm Credit System provides agricultural cooperatives credit services. It is composed of the following:

Federal Land Banks make long-term loans through local Federal Land Bank Associations. Loans are secured at first mortgages on farm and

rural real estate and have maturities ranging from 5 to 40 years in amounts up to 85 percent of the value of the property taken as security and 97 percent if guaranteed by a State or Federal agency.

Federal Intermediate Credit Banks provide short- and intermediate-term loan funds to Production Credit Associations and to other financing institutions serving agricultural producers. Most loans made by Production Credit Associations are for production or operating purposes and mature within one year. However, farm and rural home loans may have terms up to 10 years and loans to producers or harvesters of aquatic products may be made for up to 15 years.

Banks for Cooperatives make loans directly from the district level to eligible cooperatives. Eligibility may include an association of farmers, ranchers, producers or harvesters of aquatic products, or any federation of these associations, all operated on a cooperative basis. These associations many be involved in storing, packing, processing, or marketing farm or aquatic products, and/or in purchasing, testing, grading, processing, furnishing, or distributing farm or aquatic supplies.

Components of the system operate from 12 district points across the Nation. The district banks are in these cities: Springfield, MA; Baltimore, MD; Columbia, SC; Louisville, KY; Jackson, MS; St. Louis, MO; St. Paul, MN; Omaha, NE; Wichita, KS; Austin, TX; Sacramento, CA; and Spokane, WA. At the district level are Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

International banking services are offered to farmer cooperatives engaged in international trade through the Central Bank for Cooperatives in Denver, CO. (5)

The regulatory agency of the system is the Farm Credit Administration (FCA), an independent agency of the Executive Branch of the U.S. Government. Primary functions of the FCA are the regulation, examination, and supervision of the Farm Credit institutions and their service organizations. The entire Farm Credit System, which obtains its loan funds through the sale of securities, became self-sustaining in 1968 when all Government seed capital was retired.

UTILITIES Rural Electric and Telephone Cooperative Associations exist for the sole purpose of providing service for their members-owners in their respective operating territories. Both electric and telephone cooperatives have exclusive right to serve specified rural territories in most States. Anyone living in those areas must become a member of the cooperative to obtain electric or telephone service. They differ from other cooperatives in the use of Government financing.

Rural Electrification Administration (REA), an agency of USDA, makes loans to electric and telephone systems in rural areas. In 1936, the Rural Electrification Act provided statutory authority to establish REA as a lending agency for developing a rural electrification program. A 1949 amendment authorized REA to make loans to improve and extend and telephone service in rural areas.

In addition to providing loans for electric and telephone service, REA provides technical assistance in engineering, accounting, and management improvement.

Today, 990 electric borrowers and 1,004 telephone borrowers serve 18.3 million people in 2,600 of the 3,110 counties. Almost 100 percent of farms now have electricity, and 96 percent have modern telephone service. REA-financed electric systems serve 11 percent of the Nation's consumers and operate nearly half the distributions lines.

Established in 1971, the Rural Telephone Bank, an agency of the U.S. Government, provides supplemental financing for telephone systems. Bank loans bear interest at a rate consistent with the cost of money. Purchasing stock in the bank is required as a condition for obtaining a loan. The bank is operated by REA and other U.S. Department of Agriculture employees at no cost to the bank. The bank is capitalized by the U.S. Government through purchases of stock in amounts not exceeding $30 million annually until purchases equal $600 million. The Government's investment is to be retired as soon as practicable after September 30, 1995. As of December 13, 1986, the bank had made loans for $2.2 billion to 470 commercial telephone companies and 121 cooperatives.

The National Rural Utilities Cooperative Finance Corporation (CFC),

was established in 1969. It is a non-profit cooperative whose primary function is to provide member-systems with an independent source of funds for loans as a supplement to loans made by REA. CFC loan programs include long-term secured loans (usually concurrent with REA loans), intermediate-term loans, line-of-credit loans, and letter-of-credit loans.

The principal source of long-term debt capital is the sale of Collateral Trust Bonds in the public market. CFC is owned by the 968 cooperatives it serves. (11)(12)(13)(14)(19)

FISHING The two major business activities are marketing and providing supplies and services. Marketing cooperatives receive and market the catch, or perform some other functions such as locating buyers and negotiating terms of trade.

Supply and service cooperatives may provide ice, fuel, fishing gear, or offer services such as boat repair, insurance, and representational functions. The supply and service cooperatives do not perform a marketing function. Marketing cooperatives outnumber supply and service cooperatives.

In 1934, Congress passed the Fishery Cooperative Marketing Act to give authorization of associations for persons engaged in the fishery industry, as fishermen, catching, collecting, or cultivating aquatic products or as planters of aquatic products on public or private beds. They may act together in associations, corporate or otherwise, with or without capital stock, in collectively catching, producing, preparing for market, processing, handling, and marketing in interstate and foreign commerce, such products. (1)(4)

FORESTRY Cooperatives help woodland owners to gain access to the expertise necessary to select merchantable timber for harvest or to obtain favorable stumpage prices. Often, effective harvesting and marketing of timber require professional guidance and business practices. However, some woodland owners find it difficult to regularly utilize, on an individual basis, the services of forestry consultants and professional forest managers.

Cooperatives can enable owners of small tracts easier access to professional management and marketing services. In addition, management of woodlots through a cooperative may prove to be more beneficial over the timber-cutting cycle.

Implementation of management plans can result in small woodland owners assembling a uniform and high-quality volume of lumber, attracting more favorable prices. A cooperative structure allows members to pool not only equipment purchases but also capital requirements, such as compensation for managers and foresters and expenditures for office needs. Cooperation among woodland owners can result in volume discounts on purchases of forestry supplies. (1)(4)

PRODUCTION Cooperatives are particularly suited for certain labor-intensive crops where potential exists for a group effort to be more than the sum of its parts. Production cooperatives are formed by several persons or families of limited means who unite to farm small parcels of larger acreages individually, either owned or rented by the group. Human labor each member-family can perform is often the only resource they can pool in forming a cooperative. They expect to be more productive as member-owners than as hired laborers. With the whole family working, there are more direct incentives to produce. They aspire to control the land on which they work. (2)

Consumer Cooperatives

Increasing numbers of rural and urban consumer cooperatives have developed. They include buying clubs and consumer stores, computer services, craft, credit, furniture, health, housing, legal services, memorial, migrant labor, mutual insurance, optical clinics, pharmacies, recreation, service stations, sewer, travel agencies, water and many others.

Consumer cooperatives are corporate businesses, generally incorporated under State statutes or District of Columbia cooperative law. Members, often active in consumer groups, are concerned with the quality and quantity of all merchandise and nutrition in food.

A host of other cooperatives, many national in scope, are jointly owned and operated by business organizations to provide themselves

service at cost. These include the Florist Telegraph Delivery Association; the Associated Press (a news-gathering service); the American Automobile Association; and food, drug, or hardware retailer-owned wholesale cooperatives. (4)(8)(16)(19)

CREDIT Consumer Cooperatives are financed through two major cooperative credit systems—the credit unions and National Cooperative Bank (NCB). Federal programs of credit to business organizations rapidly change, so the most recent year of Catalog of Federal Domestic Assistance in the local library should be reviewed. (3)(10)(19)

Credit Unions are financial corporations chartered and supervised either by State or Federal Government through National Credit Union Administration. They are formed by people with common bonds through business employment, association, or other types of organizations within a well-defined neighborhood, community, or rural district.

Business organizations whose employees form credit unions often provide office space on the premises. Persons become members by applying and paying small membership fees. Family money management and wise credit use are encouraged.

Credit unions make loans to members from funds saved by other members. Credit committees chosen from the membership review loan applications for approval. Repayments are made on mutually agreed schedules with interest charged on outstanding loan balances. Many credit unions refund part of interest paid by borrowers each year—attaining operation on a cost-of-doing-business basis. Normally, credit unions do not require outside financial support.

Most credit unions belong to State credit union leagues that are affiliates of the Credit Union National Association (CUNA), a national trade association of credit unions. (3)(10)

National Cooperative Bank (NCB) is a private, cooperatively owned financial institution providing banking services exclusively to cooperative businesses. NCB helps urban and rural cooperatives in several ways: it provides loans to eligible cooperatives at current market interest rates; the self help fund gives special financial help at low

interest rates to cooperatives unable to qualify for regular loans; and its office of technical assistance offers cooperative staffs and members expert training in management, financial planning, and member services.

Cooperatives may be eligible for financial or technical assistance if: chartered or operated as a cooperative on a service-at-cost basis; run democratically by members it serves on a one-member, one-vote basis; membership is available to all persons without discrimination; and net margins not reinvested in the business are returned to members according to patronage.

NCB has regional offices in Chicago, IL; New York, NY; Minneapolis, MN; Seattle, WA; San Francisco, CA; and Anchorage, AK.

BUYING CLUBS Increased cost of living stimulates interest in simple forms of consumer cooperatives called buying clubs. Generally, buying clubs order merchandise on a preorder and prepaid basis for members. They are handled by volunteer labor with members agreeing on basic commodities needed. Sufficient markup is required to justify substantial investment of member time and effort. Often, their existence is limited because basic needs cease to exist or they develop into consumer co-op stores. (8)(19)

CRAFTS Producers of handicrafts have found cooperatives are helpful in areas such as marketing, production assistance, and technical assistance.

Marketing assistance activities might include: identifying potential customers and target markets; evaluation of customers' needs; giving craftproducers feedback on the latest trends in color, design, and competition; setting uniform quality standards, developing coordinated lines; guaranteeing delivery to attract wholesale buyers; providing retail and wholesale services, sponsoring craft shows, and publishing catalogs.

Production assistance can be obtained in the areas of bulk purchase of materials at a reasonable cost and of uniform quality; joint purchase and use of machinery or equipment; continuous review of equipment,

supplies, and technology; training; help in product design and color selection.

Technical assistance can be provided in the areas of design; production and business skills; government regulations; assistance in securing loans for members, or needed services; information about new books, seminars, periodicals, and exhibitions that contribute to the professional growth of members. (1)(4)(8)

HEALTH Members prepay medical cost through monthly premiums to consumer-sponsored health plans. This spreads costs and helps members prepare for possibilities of serious illness. Physicians practicing in multi-specialty groups emphasize keeping patient members well through preventive medicine and outpatient care. Some health plans employ doctors or establish clinics or hospitals. (8)(19)

HOUSING "Cooperative" applied to housing means joint operation of a housing development by those who live in it. Members own membership certificates or stock in the corporation carrying exclusive right to occupy a dwelling unit and participate in corporation operations. Cooperative housing corporations own the total property.

Condominium ownership permits individual dwelling unit ownership within a total property estate with undivided interest in the common estate.

Common purposes of housing cooperative projects are to obtain adequate housing at savings on mortgage rates. Members may reduce building costs through self-help approaches to home ownership. (8)(19)

LABOR Migrant workers form labor cooperatives to sell their services to agricultural producers. Their manager contracts with farmers for services. Workers in labor cooperatives have transportation and supervision. Indications are they work more days than workers not organized. (4)(8)(19)

LEGAL SERVICES Concerns with drawing wills, settling estates, and other normal legal needs stimulate development of legal services cooperatives. They are organized like health service cooperatives and help spread costs for members. (8)

MEMORIAL ASSOCIATIONS Three types of memorial associations are: those that only recommend mortuaries to members; those that contract with mortuaries for member services; and cooperative operated mortuaries supported by prepaid burial costs. (8)

RECREATION Public demand for outdoor recreation increases annually as more leisure time becomes available. Forming recreation cooperatives on private rural land shows potential for meeting future needs and increasing landowner use.

Recreation cooperatives are classified as user-controlled and resource-controlled.

User-controlled cooperatives are those where resources such as land or facilities are controlled by users through lease or purchase to provide cooperative members and their families with services or facilities for outdoor recreation. Examples include camps, golf, flying, playgrounds, skiing, swimming, tennis, trap shooting, or other facilities operated on a non-profit basis.

In resource-controlled cooperatives, owners organize the cooperative to develop and market recreational facilities and services, or jointly purchase services and supplies used to produce recreation income. Resource-controlled cooperatives have application for adjacent landowners on a lake or stream desiring to develop a single unit under one management for boating, swimming, fishing, camping, or hunting. Economies of scale are attained in capital investment, promotion, and advertisement. (1)(8)

STUDENT Housing problems, meal concerns, book needs, and others bring students together in cooperatives. They pool funds and labor and agree on methods of operation to fill needs as they pursue education. (8)

PROFESSIONAL WORKERS' APPROACH TO ORGANIZING COOPERATIVES

It takes only a few people wanting to solve mutual problems to generate interest in forming a cooperative business. These people are usually leaders in specified areas working to get others with similar

interests involved in business solutions. They call on professional workers in whom they place confidence for help in the cooperative forming process—planning, organizing, financing, and managing. (1)(4)

Reacting to Requests

Cooperatives won't solve all the problems farmers face or correct specific problems in all situations.

The cooperative approach should be used only when it can be demonstrated a cooperative can provide a needed economic service not presently available, or by providing a service can increase net returns to prospective members. A cooperative should not be suggested if the service is readily available from existing firms, at a reasonable cost, and particularly if one of those firms is a cooperative.

Here are some other prerequisites to consider before suggesting development of a new cooperative.

- Producers in the area must feel an economic need for proposed cooperative's services and be able to identify a mutual objective. It is not enough for a third party to identify an economic need.

- A core of local producer leadership must carry on the development effort.

- Producers must be willing to work together and follow the basic principles of cooperation.

- Producers must be willing and able to support a cooperative by making the required capital investment, and then patronize and participate in its affairs.

Examples of questions to ask when groups request assistance to determine prerequisites are:

- What type of cooperative is needed?

- Why is a cooperative needed?

- Who is urging the development of a cooperative and why?

- How many people are interested in this proposal? How has this interest been determined?

- How many have visited existing cooperatives?

- What educational or discussion group meetings have been held? Who conducted the meetings? Did the same people attend each time?

- Has outside help or advice been requested? If so, from whom?

- Where do people now get products or services the proposed cooperative would supply?

- What competition would the proposed cooperative have?

- What is the capital requirement? How much capital are organizing members able and willing to invest? Where will cooperators obtain credit?

- How much business volume is expected the first year? Second Year? Third Year? Is this seasonal volume?

- If the cooperative were organized, what are the prospects of getting a qualified manager?

- What existing cooperatives are interested in opening a branch or taking in members as an alternative to forming a new cooperative?

- What are the greatest problems in organizing this cooperative?

- What are the greatest assets in getting a cooperative started?

- What long-range factors or trends should be considered to ensure the cooperative's success?

Obviously, all these questions and others will not be answered when first raised. It is important to determine the presence or absence of these prerequisites. If present, it must still be determined if a cooperative would be economically feasible before pursuing development.

Steps to Organize

The sequence of events for organizing a new cooperative should be suggested by the professional to the interested groups.

- Hold meeting of leading participants to discuss economic need that formation of a cooperative might fulfill.

- Hold an exploratory meeting. Vote whether to continue. If affirmative, select a steering committee.

- Conduct a survey as a basis for determining cooperative feasibility.

- Hold a second general meeting to discuss results of survey. Vote on whether to proceed.

The following events in the sequence will require additional expertise and reference available from such individuals as State Extension Specialist at land-grant universities, district Banks for Cooperatives, regional cooperatives, State cooperative councils, established local cooperatives, and Agricultural Cooperative Service, U.S. Department of Agriculture.

- Conduct a market or supply and cost analysis

- Hold third general meeting to discuss the results of the market or supply and cost analysis. Vote whether to proceed this time by secret ballot.

- Conduct a financial analysis and develop a business plan.

- Hold fourth general meeting to hear results of the financial analysis. Vote again on whether to proceed. If affirmative, vote a second time on whether the steering committee should remain intact or changes should be made.

- Draw up necessary legal papers and incorporate.

- Call a meeting of charter members to adopt the bylaws. It's a good idea to invite all potential membership to ratify the bylaws. Elect a board of directors.

- Call the first meeting of the board of directors and elect officers. Assign responsibilities to implement the business plan.
- Conduct a membership drive.
- Acquire capital, including developing a loan application package.
- Hire the manager.
- Acquire facilities.
- Start up operations.

Leadership and Advisers

Types of specialized help needed and their functions include:

ORGANIZATION and LEGAL COUNSEL Each State has one or more statutes under which a business can be incorporated. Agricultural and nonagricultural cooperative corporation statutes may be specified. An attorney familiar with State cooperative statutes is needed to draw up the articles of incorporation, bylaws, membership agreements, draw or review contracts for purchase of property, construction, loan agreements, capitalization plan, or any other legal instrument needed to start the cooperative. Not all attorneys are familiar with cooperative law. References for finding qualified individuals may be obtained from the district Bank for Cooperatives, State cooperative council, existing local or regional cooperatives, and State Extension specialists who work with cooperatives.

Qualified legal counsel on a continuing basis is important to ensure confirmation to law applying to cooperative business.

Additional information on organizing, including sample legal documents, can be obtained from "How To Start a Cooperative," CIR 7; "Sample Legal Documents, Legal Phases of Farmers Cooperatives", INF 100, Part 1, and "State Incorporation Statutes for Farmer Cooperatives," CIR 30, published by Agricultural Cooperative Service.

FINANCIAL PLANNING and COUNSEL Feasibility studies, membership capitalization, methods for establishing and repaying long-term and operating capital are important planning steps. The design and installation of an accurate bookkeeping system, tax records and support accounts are necessary for the cooperative's success. Resource people for these areas included an accountant or auditing firm familiar with cooperative accounting, district Bank for Cooperatives, agents of the lending institution, State Extension Specialists who work with cooperatives, State cooperative council, local and regional cooperatives. Accurate records and an ongoing program of financial planning help ensure the success of the business for the benefit of its member-owners.

Capital needs depend on type and size of operations. All standard methods, and some designed for cooperatives, are used by members in financing. (3)(5)(7)(10)(12)(13)(18)(20)

Sufficient member investment is needed to demonstrate a commitment to provide capital to operate the business and to persuade credit sources to lend additional funds to the cooperative. Member investment is attained in several ways - through fees, dues, or assessments, or by issuing stock at the outset and using revolving funds after operation starts. Little stock is usually sold outside the membership, because cooperative investment does not offer growth possibilities or returns like other investments. (7)(8)(14)

Banks, insurance companies, building and loan associations, and other commercial concerns can make and have made cooperative loans. Other sources are churches and private foundations. Many cooperatives are financed through programs unique to cooperatives.

Banks for Cooperatives are part of the Farm Credit System, offering a complete line of credit to agricultural cooperatives, including member-owed fishing cooperatives. (5)(6)

National Rural Utilities Cooperative Finance Corporation (CFC) is an independent, self-help credit institution created by its member rural electric system to provide supplemental financing for rural electric cooperatives. (11)(13)(15)

The Rural Telephone Bank was established by amendment to the Rural Electrification Act to provide supplemental financing for rural telephone systems. An agency of the United States Government, the bank is managed by a governor and board of directors. (13)(14)(15)(16)

The National Consumer Cooperative Bank (NCCB) was established by act of Congress as an independent, mixed ownership corporation that provides financing to consumer cooperatives. (19)

A good source for locating up-to-date Federal program assistance available is the *Catalogue of Federal Domestic Assistance*, compiled for the Executive Office of the President by the Office of Management and Budget. Copies of this publication can be found in most local Federal offices and through libraries.

TECHNICAL ADVICE Specialists in the area of operations and marketing must be involved in the early stages of the cooperative's planning and formation. Resource persons from equipment and machinery suppliers, commodity handlers, State Extension specialists in marketing as well as those listed as resource persons in legal and financial areas could supply information and ideas for the cooperative's success.

ANSWERING QUESTIONS

Facts and figures useful in preparing talks, news releases, and reports concerning cooperative business operations constantly change. The most recent available statistics can be obtained from various organizations listed at the end of this publication. For example, Agricultural Cooperative Service updates and publishes "Cooperative Facts" CIR 2.

The Capper-Volstead Act, giving producers of agricultural products the right to join in cooperatives to market their products without violating antitrust laws, is reproduced in "Antitrust Laws, Legal Phases of Farmer Cooperatives," FCS INF 100, Part 1, Page 293, "Understanding Capper-Volstead," CIR 35, and AIC films.

Questions and answers following are not a complete list nor substitute for information from cooperative specialists. Many answers to semi-technical questions are in layman's language and may not be complete.

The answer may vary with State laws. Consult State Extension Services, State cooperative councils, State departments of agriculture that have specialists on cooperatives, cooperative associations, or legal counsel familiar with State cooperative statutes for specific answers to local questions. "State Incorporation Statutes for Farmer Cooperatives," CIR 30, contains State statute references that may be used to form farmer cooperatives.

Q. Can nonmembers use the services of cooperatives?

A. Yes. But to maintain its status as a farmer cooperative under the Capper-Volstead Act, a cooperative cannot transact more business with nonmembers than with members. Special restrictions affect the cooperative's tax status. Many service cooperatives, such as farm credit, electric, telephone, and credit union, require membership to obtain service. However, in most agricultural cooperatives a certain amount of nonmember business is conducted. Consumer cooperatives generally serve members and nonmembers.

Q. Do members pay annual dues?

A. Dues are not required in most cooperatives. However, a one-time membership fee is required generally by cooperatives organized on a membership basis. If the cooperative is authorized to issue capital stock, a member may have to buy a share of voting stock.

Q. What financial liability does a person assume when joining a cooperative?

A. Incorporated cooperatives normally limit financial liability on any individual to the amount of money invested in the cooperative in subscriptions to capital stock or membership.

Q. Do cooperatives require contracts with members?

A. Many agricultural marketing cooperatives do require members to sign marketing agreements. This is the one way members can be sure their packing or processing plant will have enough volume to operate efficiently. Various service cooperatives may require members to sign contracts. This is not generally true with purchasing cooperatives,

although short-term contracts may be required. Most consumer cooperatives do not require contracts.

Q. How are cooperatives financed?

A. At least part of the capital comes from members. Sources for borrowed capital were discussed earlier. Capital also comes from members after the cooperative is operating. Members provide capital by agreeing that a portion of net income may be retained by the cooperative as capital. However, by Federal law 20 percent must be paid in cash. This capital is allocated and returned to members on a revolving fund basis. Members may provide loan capital. More detail is found in "Cooperative Finance and Taxation", CIR 1, Sec. 9, "Cooperatives in Agribusiness", CIR 5, and "Understanding Your Cooperative", CIR 6.

Q. Will farmers earn dividends on investments in cooperatives?

A. Cooperatives may pay a modest dividend on stock, but this is usually limited by law to the the legal rate of interest in the State of incorporation or 8 percent, whichever is greater.

Q. Can members withdraw investments in cooperatives?

A. Many cooperatives permit members to redeem investments under certain conditions, such as retiring from farming, leaving the cooperative trade area, or settlement of an estate. In addition, many cooperatives systematically revolve members' investments at stated intervals.

Q. Who is responsible for management of the cooperative?

A. The responsibility of cooperative management is three tiered, members, board of directors, and hired professional management. Each play a different role in the management function.

In many cases, members must approve certain issues such as merging with another organization or liquidating the cooperative. For operating purposes, the management function is performed by the board of directors. The board is elected by the membership. It is the board's responsibility to employ a manager and delegate day-to-day manage-

ment of business operations. The board of directors is responsible for sound financial cooperative business operations and for long-range growth and development planning according to stated objectives.

Q. Why can't cooperatives price products purchased for members at cost?

A. Cooperatives must have income to pay fixed costs such as rent or purchase price of land, buildings, or equipment and operating costs, many of which aren't known exactly until the year's end.

Q. Do cooperatives fail?

A. Yes. Just as many other businesses fail, cooperatives can fail because of insufficient capital, failure of members to support the business with needed volume, poor management, or operation under other unsound business practices.

Q. What taxes do cooperatives pay?

A. Cooperatives pay all taxes required by law. These include property taxes, usually imposed on all properties by States, counties, and school districts. They pay excise, unemployment, social security, and transportation taxes, various license fees, and income taxes as specified by Federal and State loans.

Contrary to popular belief, cooperative organizations are not exempt from Federal income taxes. However, they can deduct from taxable income qualified net margins allocated to patrons.

Farmer cooperatives meeting requirements of section 521 of the Internal Revenue Code can deduct amounts paid a dividends on stock and earnings from nonpatronage income distributed to patrons. Agricultural cooperatives must apply for 521 tax status. Tax matters can become quite technical. If asked about them, contact an accountant, attorney, or other qualified expert in tax matters.

Q. Can farmer cooperatives and other types of cooperatives be organized under the same State statutes?

A. Many States have separate statutes for farmer cooperatives and other cooperative business operations. Legal counsel familiar with State cooperative statutes is needed to ensure correct cooperative chartering under State statutes.

SOURCES FOR ADDITIONAL INFORMATION

Cooperative opportunities are in broad fields of business that may never occur to counselors. Opportunities are in processing, marketing, sales, distribution, research, advertising, accounting, computer programing, housing, insurance, electric service, public relations, law, specialized fields; and many more.

Young Farm Couples conferences on cooperatives sponsored by State cooperative councils, regional cooperatives, and State Extension Services have proved informative and are received with high respectability.

A number of land-grant universities conduct cooperative courses or include cooperative information in other course work.

Training for professional workers is offered by the State cooperative councils in most states. Some of these training opportunities are joint efforts among several State councils and/or the State Extension Service. The National Institute on Cooperative Education held each year in August sponsored by the American Institute of Cooperation (AIC) and regional cooperatives provide additional training opportunities.

The University Center for Cooperatives, University of Wisconsin, provides a variety of continuing education programs and correspondence courses on all types of cooperatives appealing to national and international groups. The Graduate Institute of Cooperative Leadership (GICL) sponsored by the University of Missouri, provides an educational forum designed to reestablish cooperative philosophy through a unique program of leadership development.

Organizations with pertinent publications, periodicals, 16mm films, slides and videos are listed. Periodically, additional materials are produced. Further information about these organizations can be found

in "Organizations Serving Cooperatives," CIR 1, Section 5.

Agricultural Cooperative Service (1)
P.O. Box 96576
Washington, DC 20090-6576

- *Publications*

Cooperative Principles and Legal Foundations. CIR 1, Sec. 1. Reprinted 1983. 26 pp.

Agricultural Cooperatives: Pioneer to Modern. CIR 1, Sec. 2. Revised 1983. 42 pp.

Cooperative Benefits and Limitations. CIR 1, Sec. 3. Reprinted 1983. 22 pp.

Organizations Serving Cooperatives. CIR 1, Sec. 5. Revised 1987. 26 pp.

Cooperative Member Responsibilities and Control. CIR 1, Sec. 7. Reprinted 1983. 26 pp.

Cooperative Management. CIR 1, Sec. 8. Reprinted 1987. 30 pp.

Cooperative Finance and Taxation. CIR 1, Sec. 9. 1981. 30 pp.

Cooperative Education and Training. CIR 1, Sec. 10. 1983. 26 pp.

Cooperative Facts. CIR 2. Revised 1987 23 pp.

Cooperative—Distinctive Business Corporations. CIR 3. Reprinted 1983. 24 pp.

Farmer Cooperative Publications. CIR 4. Revised 1987. 58 pp.

Cooperatives in Agribusiness. CIR 5. Revised 1987. 60 pp.

Understanding Your Cooperatives. CIR 6 Revised 1986 146 pp.

How To Start a Cooperative. CIR 7. Revised 1987. 43 pp.

What Are Patronage Refunds? CIR 9. Revised 1984. 20 pp.

Is a Co-op in Your Future? CIR. 10 Reprinted 1987. 32 pp.

What Are Cooperatives? CIR 11. Reprinted 1987. 9 pp. (Also in Spanish.)

Members Make Co-ops Go. CIR 12. Reprinted 1987. 11 pp.(Also in Spanish.)

Using Co-op Members' Money. CIR 13. Reprinted 1986. 15 pp.

What Co-op Directors Do. CIR 14. Reprinted 1985. 11 pp.(Also in Spanish.)

Measuring Co-op Directors. CIR 15. Reprinted 1981. 11 pp.(Also in Spanish.)

Manager Holds Important Key to Co-op Success. CIR 16. Reprinted 1987. 11 pp.(Also in Spanish.)

Employees Help Co-op Serve. CIR 17. Reprinted 1987. 15 pp.

Guidelines Co-op Employees Need. CIR 18. Revised 1982. 18 pp.

Bookkeeping Forms Your Co-op Needs. CIR 19. Revised 1978. 11 pp.

Guides to Co-op Bookkeeping. Cir 20. Reprinted 1987. 15 pp.

Organizing and Conducting Cooperatives' Annual Meetings. CIR 21. Reprinted 1986. 6 pp.

Opportunities in Cooperatives. CIr 25. Revised 1983. 52 pp.

Agricultural Cooperative Service—What We Do, How We Work. CIR 28. Revised 1986. 6 pp.

State Incorporation Statutes of Farmer Cooperatives. CIR 30. Reprinted 1987. 715 pp.

Cooperative Approach to Crafts. CIR 33. Revised 1985. 34 pp.

Legal Phases of Farmer Cooperatives. FCS INF 100. Revised 1976. 744 pp.
Part I-Sample Legal Documents
Part II-Federal Income Taxes
Part III-Antitrust Laws

Cooperative Brands and Processed Foods. SR 14. 1985 48 pp.

- *Periodical:*

Farmer Cooperatives - Published monthly. For cooperatives, public institutions, and persons primarily concerned with helping farmers obtain a better living through cooperatives.

- *Slide Scripts:*

Understanding Your Cooperatives. CIR 6
Cooperatives - Distinctive Business Corporations. CIR 3
(Slides sold by AIC)

- *Personal Computer*

Financial Management Tutor for Cooperatives
Order from: Ms. Patt Edwards, Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907 Diskette and Manual, Cost $40

- *Video:*

Cooperatives: Partners In Trade. 10 1/2 minutes. Color/Sound. 1/2 inch VHS. 1987.

American Institute of Cooperation (2)
50 F Street Northwest
Suite 900
Washington, DC 20001

- *Publications*

Facts About Cooperatives and Taxation. 12 pp. $0.75.
Cooperatives: What They Are. 10 pp. $0.75
Cooperative Laws in the USA. 50 pp. $1.00

- *Study Guides:*

Business in Our Community. 1982. 24 pp. $1.00
Business in My Town: Everybody's Business (includes filmstrip, cassette tape, teacher's guide, and activity master). 1981. 25 pp. $25.00
Handbook on Cooperative Basics. (Especially for Teachers and Agents). 38pp. $2.00
How We Organize To Do Business in America. 1973. 29 pp. $1.00
Ask for quantity prices on all AIC publications.

- *16mm Films:*

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P.O. Box 431
Madison, WS 53701

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• *Periodical:*

Credit Union Magazine. Monthly. $15.00 per year

Extension Service (4)
14 & Independence Ave. S.W.
Washington DC 20250

The Cooperative Extension Service has resources materials such as publications and fact sheets at the State level. Contact the Extension Editor of the Cooperative Extension Service at the State office of the State where information is desired, or at the county Extension office in the county where information about cooperatives is desired. State offices are located at the land-grant universities, and county offices are listed under county government in the yellow pages of the telephone book.

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McLean, VA 22102

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The Farm Credit System brochure 1985.
The Farm Credit System leaflet 1985.

Farm Credit Leasing Services Corporation (6)
10 Second Street NE, Suite 300
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Farmers Home Administration (7)
14 & Independence Ave. S.W.
Washington DC 20250

- *Publication:*

Business and Industrial Loans. Program Aid 1101. 1983. 3 pp.

National Cooperative Business Association (8)
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Washington DC 20005

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National Council of Farmer Cooperatives (9)
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Washington, DC 20001

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National Credit Union Administration (10)
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Washington DC 20456

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People—Their Power, The Rural Electric Fact Book. 1980. 196 pp. $3.75
Yesterday Today and Tomorrow—The Farmer Takes a Hand. Marquis Childs. Copyright 1952. 1980 178 pp. $2.25

- *Periodicals and Newletters:*

Rural Electrification Magazine. Published monthly. $14.00 per year
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- *16mm Film:*

Quite Revolution. 28 1/2 minutes. Color/sound. 1975. $75.00 per copy
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- *Slide/Sound Presentation:*

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- *Video:*

Rural Electric Financing Today. 8 minutes. Color/sound. 1982. 3/4-inch or 1/2 inch VHS. 1975. $75.00
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National Rural Telecommunications Cooperative (12)
P.O. Box 9994
Washington DC 20016

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National Rural Utilities Cooperative Finance Corporation (13)
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Washington, DC 20007

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Washington DC 20250

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REA Loans and Loan Guarantees for Rural Electric and Telephone Service. 1983. 10 pp.

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- *Publication:*

The Rural Telephone Bank. 1987. 10 pp.
15th Annual Report of the Board of Directors Rural Telephone Bank, 1987, pp.18.

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Federation of Southern Cooperatives (18)
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Epes, AL 35460

National Cooperative Bank (19)
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Washington, DC 20009

National Milk Producers Federation (20)
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The books are not directed to one specific group but have value to management, members and directors; to educators and students; to educational institutions; to libraries; and to anyone else who needs information about U.S. agricultural cooperatives operations.

Contact AIC for current year contents and price.

The Advance of American Cooperative Enterprise. Joseph G. Knapp. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, Ill. 61832. 1973. 646 pp. $9.95

Tells how cooperative organizations made great steps forward under the unique conditions that prevailed in the United States from 1920 to 1975.

Cooperative Business Enterprise. Martin A. Abrahamsen. McGraw Hill Book Co. 1976. 491 pp. $15.00

This is a discussion of cooperatives in textbook format. It is all inclusive in content, but oriented to the American experience.

Cooperatives: Development, Principles, and Management. E.P.Roy. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, Ill. 61832. 1981. 611 pp. $19.95 Covers all types of

cooperatives. Traces historical development, outlines principles, issues, and daily operating policies.

The Rise of American Cooperative Enterprise. Joseph G. Knapp. The Interstate Printers and Publishers, Inc., 19-27 North Jackson Street, Danville, Ill. 61832.1969. 523 pp. $8.95.

Reveals how cooperative organizations in the United States gradually took form in distinctive way as the Nation progressed from frontier conditions to a strong national economy.

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U.S. Department of Agriculture
Agricultural Cooperative Service
Washington, D.C. 20250

Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

ACS publishes research and educational materials and issues Farmer Cooperatives magazine. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, age, handicap, or national origin.

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Cooperative Farm Bargaining and Price Negotiations

Ralph B. Bunje

United States
Department of
Agriculture

Economics,
Statistics, and
Cooperatives Service

Cooperative
Information
Report No.26

Cooperative Farm Bargaining and Price Negotiations

Ralph B. Bunje

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Foreword

Organizing and operating a farm bargaining program is both an art and a science. It requires commitment and dedication of members to improving their well-being through group action. It also requires skillful management to deal with internal as well as external negotiations.

Since 1957, the cooperatives service of the U.S. Department of Agriculture has cosponsored National Bargaining Conferences annually on the practice of farm bargaining. These conferences have highlighted case experiences, legislative needs, and prospects for price determination through bargaining. Proceedings from these conferences have provided a rich source of information for classroom instructors and practitioners alike.

Out of these conferences and other activities, Ralph Bunje emerged as the "dean" of association managers and the "statesman" of farm bargaining for three decades before his retirement in 1975. This book documents his perspective as a practitioner on the history, management experiences, and lessons to learn about farm bargaining. What Ralph Bunje presents are insights to the changing functions in farm marketing. These insights and his observations on the changing bargaining scene are major contributions to increased public understanding of the subject matter. Readers will find particular value in the insightful "how to" advice in chapters VI through IX.

As a leading spokesman for the role of bargaining associations while he was manager of the California Canning Peach Association, Mr. Bunje won nationwide respect for effectively communicating his views. For these reasons he was contacted for writing this book. It provides

readers with a view of the changing structure of markets faced by farmers and the emerging role of bargaining in farm price determination.

Randall E. Torgerson
Deputy Administrator for Cooperatives
Economics, Statistics, and
Cooperatives Service

PREFACE

A few years after my retirement as president of the California Canning Peach Association, I was asked to give a talk at the annual meeting of the Pacific Coast Cooperative Marketing Association. The topic was, "The Book On Bargaining That I Was Going to Write." The talk was well received, and I was asked to give the same talk at the 22nd National Conference of Bargaining and Marketing Cooperatives that was held in San Francisco in January 1978. Later that year, I received a request from the cooperatives unit of the Economics, Statistics, and Cooperatives Service (USDA) that I write such a book, and this is the result.

Farm bargaining has been around for a longer time than most people realize. The method of bargaining has changed over the years as the marketing system has changed. The business of farm bargaining and price negotiation has now matured in many commodities. The idea of farm bargaining attracts farmers because it seems to offer a rapid and simple answer to complex marketing problems. Farm bargaining is often born out of the frustration of farmers who feel defeated by the marketing system for their commodity. There have been many failures associated with the idea of farm bargaining over the 100 years that the idea has been worked on. There have also been many successes. It is those successes that this book is about.

I became involved with farm bargaining in January 1950 when I was named the general manager of the California Canning Peach Association, one of the Nation's oldest bargaining associations still in business. The peach-canning business in California was the backbone of the

canning industry at the time. The peach pack was the largest fruit pack in the world and the price of the raw product had an influence on the price of every canned fruit that was marketed. The California Canning Peach Association was in a dominant position playing an important role in the industry.

The industry faced all of the problems associated with commodity pricing: Large crops, low prices, cutthroat competition, and loss of markets. Prior to World War II, the industry was in desperate straits as a result of oversupplies, despite efforts to deal with the problem of large crops and big packs in excess of the market requirements. The industry made its first efforts toward supply control in 1927 when an industry-wide voluntary program was attempted. In 1933 and 1934, the industry operated under a Federal marketing agreement and licensing program. In 1936, the California Canning Peach Association sponsored State legislation to permit marketing orders to be used for supply control, grading, advertising, and promotion.

Supply control programs brought on some new problems for the growers. Canners wanted a larger share of the supply. Growers, not averse to exploiting the canners' interest in gaining a greater share of the available supply, thus defeated in part the efforts toward stabilization. By 1950, the industry had a problem of expanded facilities, greater acreage, and a diminished market. In the years that followed, supplies were tightly controlled through the use of a marketing order that equalized the burden of surplussing large crops among all producers by requiring the elimination of all the fruit from a percentage of the trees in each orchard.

The industry has used cannery diversion, crop surplussing, and tree removal programs in its efforts to bring order. In recent years, the industry's processing capacity has been scaled down to market requirements, and the growers have turned to export markets to deal with excessive supplies.

The significance of these experiences is that the growers learned to work together to deal with industry problems. Although many of the efforts proved to be flawed, the industry remained flexible and was prepared to try new approaches to deal with the marketing problems that affected the prices that the producer received.

During my 25 years as president and manager of CCPA, a good many ideas were tested, rejected, tried, and implemented in efforts to improve the grower's market position and net returns. Some worked; others failed; some were improved upon. The CCPA was favored with good

and experienced grower leadership. Our activities drew a great deal of attention from other commodity groups interested in bargaining and price negotiations. I frequently found myself involved with the organizing efforts of many bargaining associations that are operating in the United States today. A few have failed, but most have grown, providing services to their members and to the industry.

I have written this book with the idea that it serve as a guide to growers who want to organize a bargaining association, or who serve in a leadership role with an organization already in existence. The book can help to show them how to use bargaining to improve their returns from farming. Success does not come easily; considerable skill and understanding of the marketing system are needed. These pages contain the basic information that I have shared with many of my colleagues.

Ralph B. Bunje
July 1980

Acknowledgments

I appreciate the encouragement that I received from my colleagues who shared with me the pleasure of seeing the idea of bargaining cooperatives grow and mature into an instrument of great value to the agricultural community. I extend my thanks to all those who carefully read and commented on the early drafts. They include: Jack Pickett, publisher of the California Farmer, Loyd McCormick of the law firm of McCutchen, Doyle, Brown, and Enersen in San Francisco, Ron Schuler, president of the California Canning Peach Association, Dick Owens and his associates of the American Farm Bureau Federation, Dorothy Mortensen with Ross Wurm and Associates, and the late Dr. Sidney Hoos, Professor Emeritus at the University of California.

Finally, I thank my wife, Elizabeth, for her patience and help both in writing the book and in sharing the 25 years of farm bargaining experience that allowed me to write the book.

The book is written with all of the biases and impressions that I gained during those years. The errors in fact and judgment are, of course, all my own.

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Summary

The concept of farm bargaining is not new. Agricultural producers have long been concerned with developing legal foundations, organizations, and processes for more effectively influencing price and other terms of trade in their dealings with the handlers and processors of their products.

The Capper-Volstead Act of 1922, the Agricultural Marketing Agreement Act of 1937, and the Agricultural Fair Practices Act of 1967 are the major Federal laws related to farm bargaining. All allow producers, within certain constraints, to seek equity in the marketplace and protect themselves from specified unfair practices. A number of States have also passed bargaining legislation to further facilitate collective bargaining within their boundaries.

Most of the growth in agricultural bargaining took place after World War II in response to the dramatic changes that occurred in the food distribution system. Economic integration, mergers, and acquisitions in the food industry stimulated renewed interest in the idea of farm bargaining. In relation to their buyers, farmers are small in size and large in number. Consequently, there is a significant disparity in economic power between the two groups.

The bargaining association is one way that farmers tried to adapt to the requirements of mass marketing without sacrificing their own needs. Strong associations can serve as effective price discovery vehicles. They can also promote uniform terms of trade to the benefit of both the producer and the marketplace. Today, bargaining is well established in the dairy, processed fruit and vegetable, and sugarbeet industries.

Associations operate in diverse ways. Marketing-type cooperatives usually take title to and pool the commodities they represent. Most bargaining groups, however, do not take title but do require their members to sign exclusive marketing agreements designating the association as sole sales agent. Some associations merely provide market supply and demand information to members. Such associations do not engage in contract negotiations with buyers but may eventually evolve into full-fledged bargaining associations.

Farm bargaining works best when dealing with a single commodity. Bargaining associations often come into existence whenever growers of a commodity receive prices that are below their costs of production, are forced to accept adverse terms of trade, or must deal with arrogant buyers of food companies.

Successful bargaining associations have come into existence where four essentials were met before any attempts to organize.

Need. — There must be widespread need for a bargaining association and a genuine interest by the producers of the commodity.

Understanding. — Growers need to understand what bargaining can and cannot accomplish. Each grower must make a commitment to the association and must understand that bargaining may mean giving up certain freedoms in marketing. An economic analysis should be made to determine what advantages can be expected to accrue to the growers who join the association.

Leadership. — The quality of the leadership is a central factor in successfully organizing an association. The leaders must include most of the recognized and respected leaders in the area.

Allies. — Organizing a new association requires the assistance and good will of many allies. Support of existing farm organizations can be valuable. Particularly if prices are poor, suppliers, financial institutions, implement dealers, and others doing business with the growers may be enlisted for support. Controversial organizations should be avoided.

When an association negotiates price and terms of trade with buyers and handlers, the association's initial preparation and fact finding are often as important as the negotiation process itself. Without good preparation and reliable information, even a skilled negotiator cannot perform satisfactorily. Some associations use a "price book" that contains all the pertinent data that impinge on price negotiations; yields, production, records, projection of acreage, wholesale and retail sales data, price data, production and processing cost data, and other data

that might be brought up in price negotiations. Once the data in the price book are accepted as reliable by the buyer, the book can be updated from year to year.

A skilled and knowledgeable negotiator is an important asset for any association. Having an intimate knowledge of the marketing profile of the commodity and an almost daily contact with the market is an essential asset of a good negotiator. Farm bargaining associations use a number of different approaches to negotiation that range from an individual negotiating committee for each processor to the single negotiator. Most associations use modifications of the team approach where a certain number of association directors participate in the negotiations.

The strategy of negotiations must take account of the needs of the other side and how such needs can be met. The common denominator of negotiation is dealing with the needs of people and their organizations.

The timing of negotiations can have a significant impact on the results, particularly when perishable commodities are involved. Planting time, for example, puts pressure on both the buyer and the association. The buyer wants assured supplies and producers want to make their farming plans.

Establishing a priority is a vital part of strategy planning. Good strategy is to negotiate the nonprice terms before getting into price. Having reached agreement on the nonprice terms, their value can then be incorporated into the final price negotiations.

There is no one perfect way for price negotiations to take place. Some associations negotiate in a very formal manner; others bargain in an informal way. Some involve many people, others just a few. The negotiating procedure in each case seems to have a pattern that is influenced by the market for the commodity, the relative strength of the buyer and the seller, the personalities of the people in the industry, and the experience of the association.

If the negotiating process cannot reach an agreement, the parties may resort to mediation. Under mediation, a third party is brought in to identify potential areas of compromise. A skilled mediator will have the ability to suggest compromises not previously considered, provide moral suasion, and reduce tensions. Some associations provide for mediation in their contracts. The problem is to find mediators who are both knowledgeable and unbiased. Most associations see mediation as a

failure of the negotiating process rather than as a part of the bargaining effort.

Final approval of the association's price position is made by the board of directors, which may often consist of a large number of farmers. This decision-making process involves considerable bargaining among the members of the board of directors. The manager of the association frequently finds himself in the role of mediator among members of his own board.

Bargaining associations of the future must fulfill a marketing service and be able to demand and receive a price for such services that the market can afford. The bargaining association of the future must perform the same functions of mass assembly and coordination that a large corporation performs. If bargaining associations can reduce inefficiencies, promote more stable raw product supplies, and provide services that will complement the operations of the firms they deal with, the food industry will give support and recognition to the bargaining endeavor.

I. The Need For Farm Bargaining

Farm bargaining is a form of cooperative marketing, usually concerned with marketing and establishing a price for a farm commodity. Prices and terms of trade are negotiated with handlers and processors. The members of the cooperative use a bargaining organization as a means to represent their collective views and accomplish their collective aims concerning prices and terms of trade. The cooperative may also provide the leadership, carry out the planning, and implement a program of market development for the commodity.

A farm bargaining association has some of the same weaknesses of other organizations that undertake to arrive at and carry out the collective judgment of their members. Not all members have the same needs. Not all members perceive the marketing and pricing problems from the same point of view. Some members are cooperative, while others are less so. Not all members have the same knowledge of the market. Some members may have a sophisticated knowledge of business practices and procedures and others very little, if any, knowledge. There is often a lack of knowledge and experience about the principles of bargaining. Some members see bargaining as a means of cornering a market or achieving control of a commodity, while others see bargaining as a rational means of marketing, price discovery, and protection from exploitation by powerful buyers.

Farm bargaining, despite weaknesses and some failures, has grown in importance. A number of bargaining associations have demonstrated their value, their importance, and their staying power. The successful associations have a number of characteristics in common.

- *Market orientation.* Prices and terms of sale objectives are based on the market for the raw product as well as for the finished product. The aim, both short term and long term, is to maximize the members' returns consistent with market opportunities.
- *Good leadership.* Leaders of the organization, both elected leaders and the professional staff, understand the total agribusiness complex. They recognize domestic and international nutritional needs, and marketing potentials and problems for their products.
- *An enlightened membership.* Modern farming requires sophisticated technology unheard of a few years ago. Not only have the production techniques changed, but so too have the marketing factors. Marketing is an off-farm activity, and farmers will employ a bargaining association to aid them in this effort if they believe it capable of producing results. They need and demand good market information to guide their farming operations. The capital requirements of modern farming are such that farmers must relate their operations to their commodity marketing systems if they are to be successful.

Overcoming Weaknesses

Many bargaining associations have successfully overcome some major obstacles. These include:

- *Recognition.* Refusal by the buyer to recognize or bargain with a farm bargaining association has been largely overcome. Some of the Nation's largest food companies have negotiated prices and terms of sale with such associations. Among those companies are: Del Monte Corporation; Libby, McNeill and Libby; Hunt Foods and Industries; J.R. Simplot Company; Birdseye Frozen Foods; the Carnation Company; Duffy-Mott; the Ogden Corporation; Borden's; H.J. Heinz; and Consolidated Foods.
- *Unfair Practices.* Early efforts at farm bargaining were often met with strenuous objections from the buyers of the commodities. Members were often boycotted by buyers. Discrimination in the form of methods of payment, terms of sale, and time of delivery was not unusual. Buyers used many tactics to discourage membership in a bargaining association, such as offering "sweetheart deals" and giving false information concerning the association and its officers. Unscrupulous buyers would often threaten to terminate a contract or to close a receiving facility in order to discourage membership in a bargaining association. Today, many such unfair

practices have disappeared. Federal and State laws prohibiting such practices have helped. The buying policies and practices of many companies have also changed. Farm bargaining is an accepted means of price discovery in a growing number of commodities. A few years ago, it was not unusual to find contracts offered to producers that provided for automatic termination should the farmer join a bargaining association. Today, few, if any, such contracts exist.

- *Overlapping Jurisdictions.* Occasionally, two farm cooperatives find themselves operating in the same marketing or production area. Producers occasionally find themselves the victims of cutthroat competition from their own organizations. Agencies in common, frequently used in the dairy industry, have successfully dealt with this problem. In the case of potatoes for processing, cooperatives are moving to develop institutional arrangements for industry-wide bargaining.
- *Good Faith Bargaining.* Both parties to a transaction must be willing to reach a mutual agreement. When one party merely goes through the motions with no intent to reach an agreement, costly delays and confusion can result. Producers of perishable crops can be highly vulnerable if the buyer does not bargain in good faith. Real progress has been made on this issue by some of the associations. Where recognition exists and where the association has clearly demonstrated its market orientation, good faith bargaining is becoming less of a problem.

The requirement to bargain in good faith was not included in the Agricultural Fair Practices Act of 1967. Notwithstanding the fact that an increasing number of bargaining associations no longer suffer from bad faith bargaining on the part of the buyers, many leaders experience a continuing need for such legislation. Raw materials, a major cost component of the food and fiber industry, provide handlers one of their few opportunities to control costs. Other major cost items, like labor, transportation, and packaging, afford few opportunities for gaining a competitive advantage by paying less than a competitor. In the absence of a law that requires good faith bargaining and establishes fair rules for bargaining, food handlers or processors are strongly tempted to seek and gain a competitive cost advantage at the expense of farmers and their bargaining associations.

Farm Bargaining and Changes in the Market Structure

During the past 20 years, the firms in the food and fiber business in the United States have become fewer in number and larger, chiefly because of new technologies in production and management which enable them to reduce costs by increasing the scale of the operation. The total number of food-processing plants, for example, has been reduced by almost one-half. Improvements in transportation, made possible by better highways and better and larger trucks, have extended the areas served by many firms, enabling them to acquire a greater volume and thus use larger facilities effectively. This is particularly true for poultry and milk.

Many of these changes were brought about by the consolidations in the food-retailing and wholesale food businesses. The emphasis is on mass distribution and consumer orientation. This mass distribution system has to satisfy concentrated urban markets. The supply lines are longer and the integration of the system is complicated. Sophisticated technology like larger railcars, unit trains, bulk shipments, computerized formulations, and computerized inventory control and purchasing procedures, is involved at all stages. To make the system work, mass communications is needed. Advertising, promotion, and displays are used to communicate with the consumer and to move the goods. New packaging, built-in conveniences, and improvements to make shopping for the consumer easier are all parts of the marketing complex that influence the prices and terms of trade that farmers are going to receive. The retailer, the distributor, and the manufacturer are becoming more computerized to serve the consumer more effectively. The growth in the institutional market has brought new requirements into play. New packages, better delivery systems, and a stable cost system are important considerations in the institutional market, which comprises an increasing share of the food market today.

The changes in the market system have been met in part by changes on the farm. The production unit has become larger. Farmers use new equipment; farming has become more capital intensive. As capital needs have increased, so has the vulnerability of producers. They are no longer able to "go broke cheap." Prices for their production and the terms of sale have become the focal point of concern for more farmers. More operating cooperatives have been formed. Those who market through an operating co-op are concerned over the transfer price that is linked to their production.

The concerns of farmers are also the concerns of consumers. An adequate supply of good quality food at reasonable prices is an important factor in keeping a stable government. Many believe that the most efficient farming is done by the individual entrepreneur. Corporation farming on a large scale, collective farming, or farming with government as a customer, are often regarded as the least efficient means of meeting the needs of the consumer. The profit system as it has been used in farming in the United States since its beginnings is efficient. Under this system the prices from a large volume of transactions are used as signals to coordinate production, distribution, and consumption. Prices so arrived at also provide the basis for farmer incentives and distribution of income. A part of this system has undergone radical change. The signals are coming from fewer and fewer operators, and they are often driven by competition to give out signals designed to protect their own investments. Government has also tended to alter the role of the market system, with its price regulatory and production control programs. None of these changes has really altered the basic need for a profit-oriented, competitive market system, but there are some new rules to the game.

Food and fiber marketing is concentrated in fewer and larger entities. When a large organization makes a policy change, it can have an immediate effect on a great many producers. Diversified food companies no longer are dependent upon a few commodities for their profit. If a division or a plant is not earning a profit, it may be closed or sold to another company.

Changes in market behavior used to be cushioned by the many small operators who depended on a particular commodity. They could not make rapid changes in their marketing patterns or the products that they dealt with, and so the signals to the producer came over a longer period of time and in a more gradual manner. Today these signals come more abruptly, and there is a premium placed on good market intelligence, so necessary for producers to make the needed adjustments to the new realities of the marketplace.

Today's market system calls for greater coordination in order to carry out the task of mass distribution. The milk industry provides a good example of bargaining's filling a needed role. Today, the bargaining association provides procurement services, transportation, quality control, coordination of supplies, and payment to the producer. The bottler and distributor now have a system which provides their plants with the exact quantity of milk of the quality required at the time needed to make the

operation fully effective. The bargaining association deals with the problem of surplus milk and diverts the unneeded fluid milk to alternative markets so that the optimum use of the product is achieved. All of this is done at prices which recognize the needs of the consumer, the distributor, and the costs of the farmer.

Market-oriented bargaining associations are in a position to fill a vital need for coordination in the complex world of food marketing today. The needs of the processor and the distributor can be met by a bargaining association that has been organized with a market orientation. There is no place for an organization that is dedicated to changing the system for special advantage. The market system today needs, and will reward, the bargaining association organized to serve its members' market requirements.

Farmers will continue to try to measure the results of their bargaining associations. This is difficult to do in specific terms. Farmers are often left with trying to imagine what the situation would be if the bargaining association did not exist. It requires a degree of sophistication and knowledge of the market in order to fairly judge the performance of the association. The measurement needs to be made on the basis of whether or not the association is serving the needs not only of the farmer but also of the marketplace and society as a whole. If it does not serve these needs, then the association will, in the long run, fail.

The changes that have taken place in the food and fiber marketing system created the need for farmer-owned and operated bargaining associations. Bargaining associations can fill the needs of the market as well as the needs of the individual producer. They can serve a supply coordinating function for the market and furnish market intelligence for the producer. They can operate as a price discovery vehicle, establish market prices, and establish uniform terms of trade that serve both the producer and the marketplace.

II. The Legal Background For Cooperative Farm Bargaining

The Sherman Act (1890)

During the 19th century, farmers, laborers, and consumers were faced with the growing power of large and powerful corporations whose control of the markets and the manufacturing facilities of many of the basic industries enabled frequent exploitation. In 1890, Congress passed the Sherman Act to curb the powers of the corporations. Meanwhile, farmers were turning to cooperative associations and labor was turning to unions in an effort to offset the power of the corporations. Farmers were particularly vulnerable. Individual farmers had little or no bargaining power. They frequently found themselves at the mercy of buyers who were able to purchase their production at depressed prices that the buyers were able to establish, and then to go on to process, store, distribute, and sell the products at the most advantageous market at the most advantageous times for high prices.

Following passage of the Sherman Act, organized labor and the young cooperative movement found themselves imperiled by the antitrust legislation that was intended to combat the excesses of large and powerful corporations that had victimized the farmer. The sponsors of the Sherman Act had not intended to include agricultural cooperatives and labor unions as unlawful combinations in restraint of trade. Indeed, Senator Sherman had proposed an amendment to the Act which provided, among other things, that it should not be construed to prohibit "any arrangements, agreements, associations, or combinations among persons engaged in horticulture or agriculture made with the view of enhancing the price of their agricultural or horticultural products" [21 Cong. Rec. 2726 (1890)]. Sherman felt that the language was not necessary and it was omitted from the final bill.

Farmer cooperatives and labor found themselves the targets of antitrust suits by private parties as well as by State and Federal authorities.

To prevent such lawsuits from thwarting the development of cooperatives and unions, Congress in 1914 passed Section 6 of the Clayton Act which states:

> the labor of a human being is not a commodity or article of commerce. Nothing contained in the antitrust laws shall be construed to forbid the existence and the operation of *labor, agricultural, or horticultural organizations,* instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade under the antitrust laws. [15 U.S.C. §17 (1976)]

The Capper-Volstead Act (1922)

It soon became apparent that in spite of the language of Section 6, the threat of prosecution remained especially for cooperatives organized on a capital stock basis. The express right to carry out the actions necessary to enable agricultural cooperatives to function effectively for their members was more fully set forth in the Capper-Volstead Act, which was enacted in 1922. Section 1 of that Act provides:

> Persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce, such products of persons so engaged. Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes. [7 U.S.C. §291 (1976)]

Section 2 of the Act empowers the Secretary of Agriculture to proceed against any cooperative which he has reason to believe monopolizes or restrains trade "to such an extent that the price of any agricultural product is unduly enhanced." If he finds that such undue price enhancement has occurred, the Secretary may issue an order to cease and desist from monopolization or restraint of trade.

Under the protection of these statutes, producers have been able to organize themselves in an effort to influence the market in which they sell or distribute their products, thereby combating the handicap of unstable market conditions and a price system determined by the weakest producer.

Farm Bargaining Compared to Labor Unions

While both labor and agricultural and horticultural organizations were mentioned in Section 6 of the Clayton Act, their operations are dissimilar. Labor is paid a wage or a salary and unions are made up of

wage and salary workers. Farmers are paid on the profits from their enterprise, and farm bargaining associations are made up of individual farmers who are entrepreneurs. Labor organizations have the benefits of laws that make monopolies legal through a closed shop. Farm bargaining associations are voluntary and must operate within the undue price enhancement provisions of Section 2 of the Capper-Volstead Act. Labor organizations can impose sanctions on employers through the use of a strike or a slowdown. Farm bargaining associations cannot stop production once it has started. Labor unions tend to be centrally controlled while farm bargaining associations tend to be democratic. Labor organizations may have strike funds and benefit from unemployment insurance programs which soften the burden of work stoppage for the wage earner. Farm bargaining associations must deal with the supply-demand character of the marketplace and their members always face the problems of oversupply and unsold products that hang over the market. Since the Clayton Act was adopted in 1914, legislative actions and court decisions have enabled organized labor to become a major force in the U.S. economy. Agricultural organizations have not fared as well.

Court Actions

The legal history of the Clayton and Capper-Volstead Acts and the decisions of the courts make it quite clear that farmers and producers may form cooperatives without violating the antitrust laws. However, the Capper-Volstead Act and its companion statutes do not give agricultural cooperatives carte blanche to evade the intent of the antitrust laws. On several occasions the Supreme Court has outlined the boundary between permissible cooperative activity under the Capper-Volstead Act and conduct that violates the antitrust laws.

In 1939, the case of *United States v. Borden Co.* [308 U.S. 188 (1939)], brought before the court an alleged conspiracy between the Pure Milk Association, a cooperative, and noncooperative entities, including distributors, labor officials, and municipal officials. The conspiracy was alleged to be in violation of Section 1 of the Sherman Act by attempting to fix and maintain artificial and noncompetitive prices for milk. Reversing the lower court, the Supreme Court held that the Capper-Volstead exemption did not insulate all activities of agricultural cooperatives from the Sherman Act. The alleged conspiracy with noncooperatives removed the cooperative's conduct from the protection of the exemption. In the words of Chief Justice Charles E. Hughes:

> The right of those agricultural producers thus to unite in preparing for market and in marketing their products, and to make the contracts which are necessary for that collaboration, cannot be deemed to authorize any combination or conspiracy with other persons in restraint of trade that these producers may see fit to devise. [308 U.S. at 204-205]

Nearly a generation later, the Supreme Court again had occasion to elucidate the limits of the exemption for farmer cooperatives. In *Maryland and Virginia Milk Producers Association, Inc. v. United States* [362 U.S. 458 (1959)], the defendant milk-marketing cooperative had been charged with violations of: Section 2 of the Sherman Act by attempting to monopolize and monopolizing the fluid milk market; Section 3 of the Sherman Act by conspiring to eliminate competition in the same market; and Section 7 of the Clayton Act for acquiring the assets of its largest competitor. The Court, citing *Borden,* held that the alleged conduct deprived the cooperative of the immunity provided by Section 6 of the Clayton Act and the Capper-Volstead Act. It stated:

> (T)he full effect of §6 (of the Clayton Act) is that a group of farmers acting together as a single entity in an association cannot be restrained 'from lawfully carrying out the *legitimate objects* thereof' (emphasis supplied), but the section cannot support the contention that it gives such an entity full freedom to engage in predatory practices at will. [362 U.S. at 465-466]

The Court defined a further limit to the exemptions in *Case-Swayne Co., Inc. v. Sunkist Growers, Inc.* [389 U.S. 384 (1967)]. In that case, it held that membership of persons and entities who were not themselves producers of agricultural products would nullify the Clayton Section 6 and Capper-Volstead exemptions for the cooperative.

While the foregoing Supreme Court decisions leave no doubt that the statutory immunity enjoyed by agricultural cooperatives is a limited one, both the Supreme Court and appellate courts in more recent decisions have continued to affirm the rights of cooperatives to join in combined action under the Capper-Volstead Act. Thus, in *Sunkist v. Winckler & Smith Co.* [370 U.S. 19 (1962)], the Supreme Court held that cooperatives, which were technically separate entities, could join together into one organization for collective processing and marketing of their fruit and fruit products without violating the antitrust laws. Sunkist was alleged to have conspired with two citrus fruit exchanges, Exchange Orange and Exchange Lemon, to commit various acts and violations of Sections 1 and 2 of the Sherman Act. The court was willing to look beyond the technical separateness of the three groups and held that:

> (T)he 12,000 growers here involved are in practical effect and in the contemplation of the statutes one 'organization' or 'association' even though they have formally organized themselves into three separate legal entities. [370 U.S. at 29]

The Capper-Volstead Act also specifically states that cooperatives may have agencies in common. A common marketing agency by a competing group of manufacturers, on the other hand, would be found to be illegal.

The ability to form a cooperative association permits farmers, by combination, to obtain some degree of market power. This can be done in two ways. First, to the extent the cooperative gains some control over the supply of the product, it can bargain with the buyer in order to achieve a higher price than the buyer would have to pay individual farmers selling separately. Second, farmers may form their own cooperative marketing agencies, thus bypassing the powerful marketer who would otherwise be able to achieve an unduly high profit at the expense of the farmer. However, this ability to overcome the power of large buyers must be considered in the light of overcoming exploitation and achieving a reasonably competitive profit, but not a monopoly profit.

The U.S. Department of Justice and the Federal Trade Commission (FTC) are constantly monitoring the activities of cooperative associations, particularly in those cases where a marketing order is also in operation. It is for this reason that many of the well-established bargaining associations work closely with their legal counsel. As bargaining associations become more successful in achieving their objectives, they will come under greater scrutiny. The cost of food is a sensitive political issue. With the decline in the political power of farmers, more and more attacks can be expected on the efforts of farmers to improve their prices through collective actions.

An example of some of the current thrust of the Department of Justice and the FTC is the contention made in the Treasure Valley case [*Treasure Valley Potato Bargaining Assn. v. Ore-Ida Foods, Inc.*, 497 F.2d 203 (9th Cir. 1974), *cert. denied,* 419 U.S. 999 (1974)]. Here it was argued that only associations that actively perform all of the processing, handling, and marketing functions are Capper-Volstead associations. In addition, it was argued that negotiating for price did not constitute marketing as that term was used in the act.

The court rejected both of these contentions and, with reference to the latter, said particularly:

> The associations here were engaged in bargaining for the sales to be made by their individual members. This necessarily requires supporting marketing information and performing other acts that are part of the aggregate of functions involved in the transferring of title to the potatoes. The associations were thus clearly performing "marketing" functions within the plain meaning of the term. We see no reason to give that word a special meaning within the context of the Capper-Volstead Act. [497 F.2d at 215]

The ninth circuit has relied upon the rationale in *Sunkist* in finding the exemption applicable to two entirely separate potato bargaining associations charged with violations of the Sherman Act based upon their agreement with each other to sell their potatoes for a common price. In concluding that the associations were acting within the exemptions, the ninth circuit drew the principle from *Sunkist,* that, in the absence of predatory conduct and where the two bargaining associations could have formed a single association to market the product, mere organizational distinctions should be ignored. The court relied most heavily, however, on the language in Section 1 of the Capper-Volstead Act permitting associations to have marketing agencies in common. The court held that this provision exempted activities such as agreements as to pricing between two cooperatives on the grounds that the term "marketing" was broad enough to encompass such activity. The court also concluded that the actual form which the common marketing agency took was irrelevant and should not eliminate its legality.

Despite the denial of certiorari by the Supreme Court in *Treasure Valley,* the FTC announced that it would not consider itself bound by the circuit court's decision. In the summer of 1974, the FTC filed a complaint against the Central California Lettuce Producers Cooperative alleging in substance that the cooperative and its members were in violation of Section 5 of the Federal Trade Commission Act (in essence by violating Section 1 of the Sherman Act) by "illegally agreeing among themselves on the prices at which Central's members would sell the lettuce they produced." The administrative law judge's decision against the cooperative was reversed by the full Federal Trade Commission on appeal. The Commission may have heeded a decision of the U.S. District Court in San Francisco which had ruled, in a private suit against the same cooperative, that the same activities were exempt [*Northern California Supermarkets, Inc. v. Central California Lettuce Producers Cooperative,* 413 F.Supp. 984 (N.D. Cal. 1976) *aff'd,* 580 F.2d 369 (9th Cir. 1978)]. The district court stated:

> I am of the opinion that even if Central engaged in no other collective marketing activities, mere price-fixing is clearly within the ambit of the statutory protection. It would be ironic and anomalous to expose producers, who meet in a cooperative to set prices, to antitrust liability, knowing full well that if the same producers engage in even more anticompetitive practices, such as collective marketing or bargaining, they would clearly be entitled to an exemption. 413 F. Supp. at 992.

The Agricultural Fair Practices Act (1967)

Prior to the 1967 passage of S-109, the Agricultural Fair Practices Act, the efforts of many farm groups to bargain collectively were met with opposition from handlers and processors.[1] The tactics on the part of some major buyers had more in common with the early history of unionization in the United States than in marketing farm products. For example, the Federal Trade Commission found that three major tomato-canning companies in Ohio engaged in a common boycott of the members of Cannery Growers, Inc., a growers' cooperative bargaining association. Canners refused to contract with members of the association and offered "sweetheart deals" to members who withdrew from the association. In one instance, field buyers contracted with growers provided the growers signed a form letter of resignation to withdraw from the association. One company, according to the testimony of a field buyer, proposed spending up to $100,000 to discourage the efforts of farmers to organize for bargaining purposes.

Growers in Pennsylvania and New Jersey who were identified with the bargaining associations found that their contracts were not renewed, or that they were discriminated against at the receiving docks of the canneries. Blacklisting of growers was also carried out in the broiler industry. In one area in Mississippi, organizers had to visit growers in the night, and not give receipts of dues payments. When growers attended meetings, their car license numbers were taken down by field staff and the growers were called on the next day and warned not to join the association. Growers in other States found their contracts terminated if they joined a bargaining association.

In 1968, the Packers and Stockyards Division of USDA issued a decision known as P&S Docket No. 3497. It ordered Arkansas Valley Industries, Inc., Ralston Purina Company, and Tyson's Foods, Inc., to cease and desist from:

[1]For a history of the legislative life of this bill, see Randall E. Torgerson, *Producer Power at the Bargaining Table* (Columbia: University of Missouri Press, 1970)

1. Refusing to deal with a poultry farmer because of the farmer's affiliation with any association or organization formed to further the mutual interests of poultry producers;
2. Harassing, intimidating, coercing or threatening to refuse to enter into contracts or agreements with poultry farmers because of their affiliation with any associaiton;
3. Refusing to reinstate upon the basis of current terms, any poultry producer whose contracts or agreements were terminated for reasons of the producer's association;
4. Entering into, continuing, or cooperating in carrying out any agreement or combination to boycott, blacklist, harass, intimidate, or coerce any poultry producer or farmer for any reason whatsoever.

The Agricultural Fair Practices Act of 1967 (S-109) was a landmark piece of legislation. It was the first reaffirmation by the Congress in many years of the policy of support of group action by farmers. It was stoutly resisted by many of the Nation's processors and handlers. While the final law is a far cry from the original draft, the very fact that it survived the opposition of the major factors in the food manufacturing and processing industry is evidence that the Congress will support farmers in their quest to achieve some equity with the concentrated power of the food industry.

S-109 recognized the need for farmers to be free to join together voluntarily in cooperative organizations and declared that interference with this right was contrary to the public interest. The act establishes standards of fair practices that would be required of handlers in their dealings in agricultural products. The law deals primarily with six practices that were declared to be unlawful for any handlers, employees, or agents:

(a) To coerce any producer in the exercise of his right to join and belong to or to refrain from joining or belonging to an association of producers, or to refuse to deal with any producer because of the exercise of his right to join and belong to such an association; or

(b) To discriminate against any producer with respect to price, quantity, quality, or other terms of purchase, acquisition, or other handling of agricultural products because of his membership in or contract with an association of producers; or

(c) To coerce or intimidate any producer to enter into, maintain, breach, cancel, or terminate a membership agreement or marketing contract with an association of producers or a contract with a handler; or

(d) To pay or loan money, give anything of value, or offer any other inducement or reward to a producer for refusing to or ceasing to belong to an association of producers; or

(e) To make false reports about the finances, management, or activities of associations of producers or handlers; or

(f) To conspire, combine, agree, or arrange with any other person to do, or aid or abet the doing of, any act made unlawful by this chapter. [7 U.S.C. §2301 (1976)]

There will be moves to change the legislation to require good faith bargaining on the part of handlers and processors. The problems with the existing legislation are in its narrow scope and inadequate enforcement machinery. Evidence of violations is very difficult to obtain. According to the Department of Agriculture, 27 complaints have been received since the fall of 1968, when administration of the Act was transferred to the Fruit and Vegetable Division, Agricultural Marketing Service, of the Department. Seven of the 27 complaints were settled in favor of the producers or the association; one case was settled without any action; and one was closed when the growers decided not to pursue the complaint. All of the other cases were closed after investigation, on the basis of insufficient grounds for action. Securing good evidence is a problem, particularly from farmers who have been induced to withdraw from a bargaining association in return for some special treatment. Fear of future retaliation is also a factor that influences the availability of good evidence.

State Legislation

Legislation supporting farm bargaining has been adopted in a number of States. The most far-reaching is the Michigan Agricultural Marketing and Bargaining Act. In effect since January 1973, this legislation: permits producers of agricultural commodities in Michigan to be represented by associations; creates an agricultural marketing and bargaining board; provides for the accreditation of associations; establishes obligations on the part of handlers and associations; provides for arbitration; defines unfair practices; and describes penalties.

California legislation declares it to be the public policy of the State of California to establish and support the right of any farmer to join voluntarily and belong to a cooperative bargaining association. In addition, it defines unfair trade practices, including the refusal to negotiate or bargain for price, terms of sale, compensation for commodities produced under contract, and other contract provisions relative to any commodity which a cooperative bargaining association represents.

Most of the legislation in the other States prohibits certain unfair trade practices and discrimination against producers who have voluntarily joined a bargaining association. In 1975, Wisconsin enacted a

statute that is unique in that it prohibits vegetable processors who "grow more than 10 percent of a species of vegetable processed at a single plant, from paying growers who sell vegetable crops to the processor an amount per ton less than the amount per ton incurred by the processor in growing the vegetable himself."

The States of Maine and Minnesota have adopted legislation that compares with the Michigan statute. Extensive bargaining has not yet been carried out under these State laws, but they are an indication of the desire and need for such an approach in the absence of strong Federal legislation.

Future Legislation

The major Federal legislative acts related to farm bargaining are the Capper-Volstead Act of 1922, the Agricultural Marketing Agreement Act of 1937, and the Agricultural Fair Practices Act of 1967. All of these laws are basically permissive and protective in that they permit producers to act together to obtain equity in the marketplace and protect them from certain unfair practices. The major piece of State legislation that departs from the permissive and protective character is the Michigan Act, which promotes and implements the idea of collective bargaining for agriculture.

The next several years will probably see continued efforts being made to improve the legislative climate for farm bargaining. These efforts will be directed toward causing the government to assume a more active role. Included will be legislation that will legally limit the alternative actions of handlers. This might include provisions whereby exclusive agency bargaining is authorized along the lines of the Michigan Act, perhaps the most comprehensive type of bargaining legislation with explicitly defined rules. Federal legislation could substantially improve the climate for bargaining in a number of specific areas:

- Provisions for marketing fee deductions;
- Requirements for negotiators to bargain in good faith;
- Provisions for mediation or arbitration;
- Provisions for qualifying or otherwise accrediting a bargaining association;
- Provisions for defining a bargaining unit; and providing for the designation or selection of an exclusive agent for the bargaining unit;
- Protective rules and a means for promulgating and administering them.

Most of the provisions suggested above involve a basic decision by the Congress as to whether as a matter of public policy the idea of farm bargaining should be actively supported and promoted. The legislative history at the Federal level is largely permissive and protective. Some of the States have gone beyond the Federal action and have declared that, as a matter of public policy, farm bargaining should be supported and promoted.

III. The History Of Farm Bargaining

Farm bargaining, as it is practiced today, achieved its major growth following World War II. However, efforts were made by producers starting as early as 1867, when The Fruit Growers Union was formed in Hammonton, N.J. In 1887, the Milk Shipper's Union of the Northwest was formed to serve dairy farmers in the Chicago market. One organization, the Milk Shippers' Association, was declared illegal under the Illinois Antitrust Law in 1895. A Milk Bargaining Association was organized in Virginia in 1916. Many of the early efforts at bargaining were involved with securing information and improving market conditions for dairy farmers. There were difficulties in obtaining the loyal support of enough producers for effective bargaining. Many milk producers who had enjoyed a continuing relationship with handlers for years feared that active participation in a bargaining association might result in their losing their market, particularly during the flush milk production season. Even efforts to own and operate manufacturing plants for distress milk failed due to a lack of support.

The 1920's

The 1920's marked a period of growth for agricultural cooperatives. With the passage of the Capper-Volstead Act, some of the fears over antitrust action against marketing cooperatives were set aside. During the early part of 1920, Aaron Sapiro, described as the cooperative evangelist of his day, began his crusade to gain effective bargaining power for American farmers by encouraging the formation of centralized commodity marketing organizations. These were in the form of

pools with 'ironclad' membership contracts to gain control over supply and thus monopolistic power. Sapiro advocated strong business organizations which could control and merchandise agricultural crops. Sapiro helped to establish the wheat pool movement in Canada and organized over 66 associations in the United States. Rapid growth of commodity associations was spearheaded by Sapiro's efforts, but in a few years most of them were dissolved. It is interesting to note the reasons behind the failure of this popular movement. The lack of skilled management was one of the major reasons. Sapiro tended to underestimate the complexities of administering large-scale cooperatives and oversimplified the job of marketing regional supplies of an agricultural product. The problems with membership and placing too much confidence in the contract as a guarantee of grower loyalty doomed the effort to failure. However, some of Sapiro's concepts make good reading even in today's environment:

> Price value is determined not by supply and demand but by supply where, and supply when, and the men who can control the flow of a commodity so that it moves into the markets of the world in given quantities at such a time and such a place, these men determine the price value of any commodity under the sun.[2]

Sapiro's views concerning overproduction are also applicable to today's situation:

> Every merchant in the world has learned the fact that it is not what is produced that makes the selling value. It is what is moved into the markets where he can get it and under conditions fixed by him; in short, that it is not the supply that fixes the price, it is the control of the movement of the article.[3]

The early 1920's marked the beginning of the first bargaining associations in canning crops. The California Canning Peach Growers were organized in 1921 and conducted their first marketing efforts for the 1922 crop. Seven hundred and sixty peach growers agreed to market their crops cooperatively and opened offices in San Francisco. Low prices, unfair grade standards, and delay in payments for fruit were the principal reasons behind the growers' decision to organize. The fruit-canning industry was expanding rapidly after the war. Pricing the crop fairly was a problem for growers. Canners in California used open-price contracts to purchase their supplies. Contracts were both seasonal and for a term of years. The practice was to delay fixing the price on the

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[2]Knapp, Joseph G., *Farmers In Business* (Studies in Cooperative Enterprise), American Institute of Cooperation, Washington, D.C. 1963, pages 292-293.

[3]Knapp, Joseph G., *Farmers In Business* (Studies in Cooperative Enterprise), American Institute of Cooperation, Washington, D.C. 1963, page 293.

contract until the pack had been completed and a market firmly established for the canned goods. This often meant a delay of many months before growers were paid. Some canning companies were in a weak financial condition and growers often found themselves with no payment for the crop at all.

The first years were difficult years for the peach growers, but their membership continued to grow, reaching 1,612 members in 1930. This was despite prices that varied from $20 per ton to $80. Alternate years of high and low production resulted in price-depressing surpluses of canned peaches that influenced the bargaining process. In 1933, the industry operated under a Federal Agreement and License signed by Secretary of Agriculture Henry A. Wallace. The canning industry proposed a "Code of Fair Competition," and an ill-fated canner allocation program was put into effect. The Association had also gone into the business of processing its members' fruit. The combination of low prices, poor returns, and an unworkable marketing agreement brought dissension and led to a reorganization of the Association under the name of the California Canning Peach Association. Many of the problems in the industry during the twenties came about as a result of distress selling by some of the canners who were in a weak financial condition.

In Utah, the State Farm Bureau named a committee of vegetable growers to meet with the State's vegetable canners to discuss prices and terms of trade. Canners were not receptive to the idea. The informal approach had negative results, and following the passage of the Capper-Volstead Act and similar legislation in the State of Utah, a formal association was established. The first one was in the Cache Valley of Utah when the Cache Valley Pea Growers Association was formed. The first formal negotiations took place in the spring of 1924. Later, the Association was broadened to include growers in Idaho and the Utah-Idaho Canning Crops Association became a unit of the Utah State Canning Crops Association.

Many attempts were made to organize producers to bargain with handlers and processors during the twenties and the thirties. Those that succeeded were fortunate in having dedicated leaders who devoted a great deal of time to the idea that farmers had a right to organize and deal with their customers on a collective basis. Those that failed either lacked good leadership or were unable to attract the type of skilled management that such an organization required. When growers were desperate, they would embrace the idea of collective action, but when

things got a little better, they tended to lose interest and find fault with the operation of the association.

The 1920's were a period of experimentation in the entire cooperative movement. There was substantial growth in cooperative enterprise. Operating cooperatives engaged in marketing, purchasing, and supply were organized and continued to grow. The legislative climate for growth was good. By 1930, 12,000 marketing and purchasing cooperatives had been organized and over 3.1 million members enrolled.

During the depression years of the thirties, the number of cooperatives decreased, but the membership increased. Many of the cooperatives became federated. Beet sugar growers organized bargaining associations in the 1930's. All during the 1920's and the 1930's, dairy farmers continued to participate in bargaining organizations. Many of the bargaining associations in the dairy business later became operating cooperatives.

There was little new activity in bargaining during the war years of the 1940's. Those associations that had weathered the formative years of the 1920's and the depression found themselves fairly well established by the early 1950's. Organized bargaining and price negotiation activity at that time was fairly well confined to dairy, sugarbeets, cling peaches in California, and vegetables in Utah and Idaho.

After World War II

The postwar period saw dramatic changes taking place in the food industry. During the war, with no restraints on production, assured markets, and firm prices, production had soared and profit margins were satisfactory. When the war demands ended, and the domestic pipelines were filled, a period of uncertainty dominated the food industry. Prewar export markets were not easily restored and many painful adjustments were taking place. Farmers were replacing equipment and modernizing their operations. Food processors were doing the same, and the productive capacity of producers for many commodities soon exceeded the domestic demand. During the war, and immediately after, many food-processing companies were merged and combined as the benefits of large volume operations became apparent. Profit margins were based on maintenance of volume, and competition between food manufacturers was often based on the need to maintain large volume operations.

Food distribution in the United States was also undergoing a dramatic change. During the 1950's and early 1960's, food retailers

were merging at an unprecedented rate. Regional chains became affiliated with national chains. Wholesale grocery companies were merging or going out of business. Regional brand names known to consumers for a generation were closed out and replaced with national brands and private-label brands owned by the chain stores. Many of the independent retailers became members of cooperative buying organizations. In a relatively few years, the retail food business became a large volume operation. Profits were dependent on volume, and the pressure to expand through merger and acquisition became an established trend. The Federal Trade Commission received many complaints that, in the evolution of food distribution, tendencies had developed to concentration of economic power, to collusive price action, and to unfair competitive methods. Several Commission studies, undertaken in response, revealed that there had been a significant increase in concentration in the purchase of grocery products, and an accelerated pace of merger activity among food processors. Farmers who analyzed the FTC Study, *Economic Inquiry into Food Marketing,* were suddenly made aware of the fact that as individual farmers they could no longer match the strength and power of the buyers of their production.

The mergers and acquisitions in the retail field had an important impact on the processors and handlers of agricultural commodities. The smaller independent processors and handlers soon found themselves with fewer and larger customers. It was not unusual for independent food processors to find that some of their largest accounts had been absorbed or merged with another retailer or wholesaler. Frequently, the new organizataion dropped the independent as a supplier. The loss of a major customer often threatened the very existence of the company, which needed volume to be able to remain competitive. In addition, the independent processor-handlers were often faced with the loss of their own brand business. The larger retailers, having to make a choice of the number of brands they would carry, dropped some of the brands that had been acquired in the merger and stocked their shelves with one or two nationally advertised brands, a house brand, and perhaps one other.

There were a few large acquisitions in the canning business during the early 1950's, but the pace stepped up considerably in the following years as more of the independents became available for purchase. A Federal Trade Commission inquiry reported:[4]

[4]*Economic Inquiry Into Food Marketing,* Federal Trade Commission, Part 3, June 1965.

During the period 1960 through 1963, 42 firms covered by this report were acquired. Many of the acquisitions involved large canners. Almost 20 percent of the 39 firms with 1959 canning sales in excess of $10 million each were acquired during 1960-63. Twenty-seven of the 42 acquisitions made during this period were made by 23 canners; nearly one-half (11) of these 23 canners were firms with canning sales in excess of $10 million in 1959. Twenty of the 27 acquisitions of canners by canning firms were horizontal in nature . . . the remaining 15 (of 42) acquisitions in the period 1960 to 1963 were made by noncanning firms, increasing the number of diversified firms in the canned fruit and vegetable industry. As a result of recent acquisitions, such large and diversified firms as Reynolds Tobacco, Nestle, R.T. French and Coca Cola became fruit and vegetable processors. Three large dairy firms, Pet Milk Co. . . ., Carnation Co., and Borden Co. acquired large canning firms between 1960 and 1963. (By the end of 1963 the five largest dairy firms also ranked among the 20 largest canners of fruits and vegetables.) pp. 12 and 13.

Milk Bargaining

Dairy producers found themselves in a similar situation. Before the war, fluid milk was distributed to consumers in large part by home deliveries. Major markets were controlled by bottling firms who purchased milk from country suppliers and local cooperatives. With the merger activity among the retailers, there began a trend toward backward integration by the chainstores. Suddenly independent bottlers and distributors found themselves faced with the loss of an important customer in a local market. In addition, the new bottling plants were modern and efficient and often situated in better locations. The loss of volume and the need to modernize placed a great strain on the remaining bottlers who attempted to remain in business by seeking lower prices for milk. This served to stimulate the need for price bargaining by the producers. At the same time, many of the smaller co-ops, finding their markets threatened and prices depressed by events, were also faced with the need to modernize. Better storage facilities and bulk handling operations served to stimulate drastic changes for the dairy co-ops.

Many dairy farmers were not satisfied with their returns. A new national organization, The National Farmers Organization (NFO), appealed to many of the producers who saw the need for making the changes dictated by the change in the market structure. Actually, many things came together for the dairy farmer at this time. There was an increase in the use of Federal milk marketing orders. The declining milk prices during the mid-1950's had created a wave of producer unrest. The introduction of farm tanks for bulk milk assembly launched a whole new marketing system. Milk could be transported long distances. For years the associations had struggled with ways of gaining control of

their milk supplies to strengthen their bargaining position. The new system, if organized on a regional basis, offered this control, along with considerable flexibility in moving milk directly from the farms to the various market outlets. Producers were anxious to obtain some of the cost savings that plants gained by shifting from can to bulk milk assembly. A move toward federated organizations to obtain a premium for the market's tank-assembled milk began.

The low prices during the 1960's, combined with the increased intermarket shipments of milk, led to the formation of two large regional bargaining federations. These organizations were successful in obtaining over-order prices in most fluid milk markets in the central part of the Nation. Today's dairy bargaining associations provide a unique and valuable service to producers, distributors, and the general public. Producers are assured of a home for their production at a reasonable price, distributors can maximize their plant operations by being able to acquire the exact volume of milk of the quality desired and at the time needed, to maintain the efficiency of their plants. The public is served by being able to buy this food at reasonable prices. All of this is a result of a very efficient system of producing, handling, and distributing milk. The flexibility of being able to divert surplus milk to manufacturing outlets at certain times of the year, and from time to time, as a particular market may become overloaded, also adds to the efficiency of the system.

Fruit and Vegetable Bargaining

The 1950's and 1960's also saw a growth in bargaining for other commodities. In 1954, *Farm Journal* carried a series of articles about farm bargaining. The experience of the California Canning Peach Association was described in one of the articles and produced a host of inquiries to the Association from all parts of the country. Secretary of Agriculture Ezra Benson was asked to respond to the inquiries which reflected the keen interest farmers had in farm bargaining. This resulted in the USDA's Farmer Cooperative Service (FCS) being charged with the responsibility of broadening the understanding of cooperative bargaining in agriculture. Joseph Knapp, the administrator of the FCS, held a meeting in Chicago in 1956 which was attended by representatives of bargaining associations from the West and the Midwest and officials from The American Farm Bureau Federation. There it was decided to sponsor annually a series of conferences on fruit and vegetable bargaining. The first conference was held in Chicago just before the annual

meeting of the National Council of Farmer Cooperatives in 1957. Most of the fruit and vegetable bargaining associations then in operation attended the first conference. These included:

From the West:

The California Canning Peach Association
The California Canning Pear Association
The California Freestone Peach Association
The California Tomato Growers Association
The Oregon Washington Pea Growers Association
The Washington Oregon Canning Pear Association
The Washington Freestone Peach Association
The Utah State Canning Crop Association

From the Midwest:

South Cook County Tomato Growers (Ill.)
Great Lakes Cherry Producers Marketing Co-op
Cannery Growers, Inc. (Ohio)
Shiocton Bargaining Co-op (Wis.)

From the East:

N.Y. Canning Crop Growers Co-op
Western N.Y. Apple Growers Association

From Canada:

The Ontario Vegetable Growers Marketing Board

Most of the associations represented at the conference had come into existence after the war. Two of the associations had been in business since the 1920's.

Sugarbeet growers in the United States have been involved in bargaining for terms since the passage of the sugar act in 1934. Their activities have, over the years, had a profound impact on the sugar industry. Beet sugar associations not only bargain with refiners, but provide a full line of services to their members.

National Farmers Organization

In 1955, a meeting of a group of Corning, Iowa, farmers in a local livestock auction barn to protest low prices led to the formation of the National Farmers Organization. NFO started out as a militant and aggressive farm organization. It rapidly established units in the States from Ohio to Idaho. The members signed 3-year contracts which provided that: Until such time as a contract was consummated with the processor for a commodity owned or controlled by the member under the terms of the agreement; or until a marketing procedure was

established for a commodity and ratified in accordance with the terms of the agreement, the members would be free to market their commodities as they chose. Ratification required a two-thirds vote of the members in a marketing area.

The rapid acceptance of NFO by many farmers was an indication of the keen interest that midwestern farmers had in improving their position. The start of the movement also concerned many of the older and well-established farm organizations. Their members wanted similar action. "Why," they would ask, "can't Farm Bureau, for example, do the same thing?" It was also quite evident from the beginning that many of the NFO members were producers who were not satisfied with the activities of existing organizations. When NFO moved into the milk-bargaining field, it served to stimulate action on the part of many dairy cooperatives whose members had signed NFO contracts. A signup involved paying dues, but the procedure for ratification and approval was such that a signup was, in effect a protest without necessarily being a commitment. A 1-year commodity participation agreement was offered to producers that left them free to market their production until such time as they voluntarily completed a supplemental agreement covering their production. Supplemental agreements were then made available to members for several commodities.

The withholding action on livestock in the fall of 1962 attracted much attention and shocked many people both in and out of agriculture. It served to disrupt for a short time the receipts of livestock at major centers. NFO executives described the action as a tactic to get attention, which it did. It was also designed to show the buyers of livestock that NFO had considerable strength and was an organization to be reckoned with. Whether or not the action had the long-term results hoped for, it did bring the movement to the forefront of national attention. A similar tactic was also employed by NFO members' dumping milk. Picket lines around processing plants and blockades were tactics frequently used by NFO to draw attention to its objectives. There were some in NFO who believed the tactics used in holding actions, strikes, milk dumping, and so forth, would cause the buyers to conclude that it would be cheaper to deal with NFO than to fight.

When NFO was organized, its principal purpose was to develop collective bargaining for all of American agriculture. Early appeals pointed out the dwindling political power of agriculture. NFO's operating structure was organized by congressional districts. At the outset, processors and handlers refused even to talk to the NFO repre-

sentatives. NFO believed that bargaining had to be carried out industrywide, and that all of the major commodities had to be worked on at the same time. It was necessary, they pointed out, to bring them into relative balance. Clearly, NFO's objectives were to build an organization representing farmers that would have real economic power. The words "power" and "force" were often used to describe their objectives. Oren Lee Staley in an address before the National Conference of Bargaining Cooperatives had this to say: "When you are talking about bargaining in American agriculture, you are talking about collective bargaining. You're talking about a strong economic force or forces that exist against a counteracting force that is being built to compete with the existing economic force."[5]

One of the strategies used by NFO was to move grain and livestock into new marketing patterns, and away from traditional markets. The theory is that when a large movement takes place, it leaves a vacuum and the existing buyers then compete more vigorously for the remaining supplies. This, NFO believes, moves the general level of prices up.

Despite the dedicated efforts of a good many farmers, NFO has not accomplished what it originally set out to do. It has gained recognition from some of the leading meatpackers, and it sells members' grain to major grain buyers, but the economic power and the successful use of force to deal on an industrywide basis has so far eluded its efforts. More and more, the pattern of conduct is along traditional lines.

One of the early supporters of the NFO movement was the United Automobile Workers, which provided much of the early orientation of the NFO's leaders. Many believe this reflected the lack of knowledge and understanding of the operation of the marketing system for agricultural commodities. Had NFO been successful in achieving its goal of economic power to bargain for the Nation's basic commodities on an industrywide basis it would have indeed become one of the most powerful forces in the United States. Its power over the Nation's food supplies would rival that of the Government.

NFO not only found itself operating in a hostile environment as far as buyers were concerned, but also it grew very rapidly. Trained personnel experienced in the business of marketing commodities were hard to find. The logistics of operating a multi-State bargaining association dealing in a number of crops were complex and demanding. The prob-

[5]12th National Conference of Bargaining Cooperatives, Los Angeles January 7-8, 1968.

lem was to get enough farmers to stand together for a long enough time to accomplish permanent gains.

There had been previous attempts to persuade farmers that if they could corner the market, they could demand a price. The Grange tried it in the 1890's; Aaron Sapiro and his associates tried it in the 1920's; NFO made a similar attempt. NFO is making a valiant effort, but so far it has not developed the power that its organizers had hoped for.

American Farm Bureau

The voting delegates at the 1958 annual meeting of the American Farm Bureau Federation (AFBF) adopted a policy resolution supporting the need for strengthening the bargaining position of producers of certain commodities. As a result, in 1960, AFBF established a marketing affiliate, The American Agricultural Marketing Association (AAMA). This meant that AFBF was going to give major emphasis to the business of bargaining. The commodities getting top attention were to be fruits and vegetables for processing, broilers, and livestock. This was a major move. Those familiar with Farm Bureau operations will appreciate the difficulty of bringing this action program into being. For a good many years, AFBF philosophy consisted of rigid support to the free market and the belief that market power for farmers could best be achieved by the use of the market price system. AFBF often found itself opposing prospective farm legislation, arguing that there should be less government involvement in handling farm surpluses, regulating the market and disposing of food and fiber through domestic and foreign programs. The market system was changing. The relative marketing strength of the American farmer compared to the buyers, processors, and handlers was heavily weighted toward the buyers. The farmer's marketing weakness was being exploited by some buyers. Tomato growers and their associations in Ohio and New Jersey were the victims of unfair and discriminatory practices by processors. Broiler operators in Southern States were frustrated in their efforts to negotiate prices and terms of sale with integrators. There was an inadequate legal base for farm bargaining. The bargaining efforts of the newly formed NFO, a potential competitor for the AFBF, provided a stimulus for action.

This major shift in AFBF policy made some compromises necessary. One of these was that membership in AAMA would be limited to those approved by State farm bureaus and AAMA. This meant that farm bureau bargaining would be fairly well restricted by State boundaries and to farm bureau members. Growers producing commodities in one

State and marketing their production to a company located in another State would have to form a separate organization in that State. This was bound to produce problems for such commodities as tomatoes, apples, and broilers. But, problems aside, it was a major and significant move by the Nation's largest farm organization. (Farm Bureau has since made some adjustments to enable inter-State commodities to deal through a single agency.) With Farm Bureau's backing, national legislation was passed in the form of the Agricultural Fair Practices Act (S-109) in 1967. A number of States then adopted legislation designed to help the producers bargain. The entry of AFBF and the newly formed NFO brought a great deal of attention to the need for, and the interest by, farmers to achieve some type of bargaining power.

AFBF sought advice from established organizations. Their approach was based on the experience of those organizations that had been in the business for a long period of time, and experience gained by Farm Bureau during efforts in the 1920's. It was a different approach than that undertaken by the NFO. Some excerpts from AFBF policy resolutions:

> Farmers through their own organizations must develop the capacity to understand the market system and manage their production to gain the highest return from the market. . . Farm bureau seeks only equity in bargaining—not politically imposed compulsion. Reasonable people should be able to negotiate and come to terms without compulsion—provided there are reasonable rules to be followed. The essential requirement is good faith bargaining on the part of both producers and handlers.

Farm Bureau's new position came as a surprise to many of the Nation's leading food companies. The president of AFBF, Charles Shuman, visited many of the largest food companies to explain Farm Bureau's position and to assure them that this was not some wild idea sponsored by radicals. He explained that Farm Bureau wanted fair and honest treatment and hoped to be accepted by industry as a business partner. He pointed out that processors had much to gain from such a relationship and nothing to lose. His appearance before the National Canners Association met with a cool, almost hostile, reception, but the pleas were in vain. He was told over and over again that the companies would not recognize any association that undertook to come between the processor and its growers. Dr. Kenneth Hood, who headed the AAMA, told the National Conference of Bargaining Cooperatives meeting in Phoenix in January 1972:

> When farmers have sought to organize bargaining associations or sought much needed bargaining legislation, they have often encountered fierce, unreasonable, and often high handed opposition from handlers, chambers of commerce, com-

modity interest organizations in which growers have membership, and even some of our college educators who are more in sympathy with handlers than farmers.

We recognize that farmers have products to sell that handlers need and under many circumstances cordial business-like dealings are possible. In other cases, however, especially where efforts are made to organize growers who have individual contracts with handlers, all hell breaks loose. When this happens, farmers often say, 'Agribusiness be damned.'

Farm Bureau finally found out who its friends weren't.

Hood told the conference that after a number of years of experience they had concluded that bargaining could do three things:

1. Get the full market price based on economic conditions which include supply, demand, carryover, production of competing products, availability of synthetics, business conditions, and other factors.
2. Earn more by supplying products that are worth more to buyers. This involves quality improvement, volume adjustment, time of delivery, production of grades and sizes, and other considerations that make the products worth more to the buyers.
3. Provide special services such as labor procurement, group purchasing of supplies, record keeping, mechanical harvesting, development of full supply premium markets, and the like.

The Michigan Farm Bureau was one of the strongest supporters of the new AFBF program. Michigan had a number of fruit and vegetable processing companies operating in the State. Growers' bargaining efforts had been resisted by the individual companies and their trade associations. Notwithstanding the passage of S-109, the efforts of the Michigan Agricultural Cooperative Marketing Association (MACMA-the Michigan Farm Bureau affiliate) met resistance at every turn. Many processors simply refused to recognize or to deal with the grower associations. In those cases where negotiations were carried out, processors saw to it that nonmembers benefited without having to pay any of the costs. MACMA had 10 years of experience in developing effective bargaining in Michigan. During that time, the attitudes of Michigan farmers were changing. They came to understand the problems of bargaining.

Delegates at the Michigan Farm Bureau Annual meeting in November 1971 adopted a statement of policy that placed the organization in full support of a comprehensive agricultural marketing and bargaining act at the State level. The significant part of the new policy was the majority rule concept. The statement said: "Based on the concept of majority rule, associations that demonstrate that they are supported by

fifty-one percent of the producers with fifty-one percent or more of a commodity grown in a production area should be authorized to represent and to be supported by all producers in the area in the pricing and marketing of the commodity." This action lead to the adoption of the Michigan Agricultural Marketing and Bargaining Act (P.A. 344), a new and advanced approach for farm bargaining. The following associations have been accredited under the Michigan State Statute: Michigan Asparagus Growers, Kraut Cabbage Growers, Michigan Potato Growers, Michigan Red Tart Cherry Growers, and Michigan Processing Apple Growers.

The processors, however, have not given up. The Michigan Act is being challenged in the courts. The Michigan Canners and Freezers Association has brought suit against the Agricultural Marketing and Bargaining Board and Michigan Agricultural Cooperative Marketing Association, as have Ore-Ida Foods, Inc., and several others. The case brought by the Michigan Canners and Freezers Association, filed in March 1974, deals with asparagus, and the focal point of the litigation is whether or not P.A. 344 is within the scope of the constitution of the State of Michigan. A final verdict is yet to be rendered.

Broilers and the AAMA

During the late 1950's and early 1960's, many broiler growers found themselves entirely dependent on commercial firms for contracts under which they could raise broilers. Many were attracted to the possibilities that existed for AAMA to support their interest in bargaining for prices and terms of sale. The broiler industry was continuing to go through a series of changes that altered the traditional market system for broilers. There was keen competition between the integrated broiler firms. This competition led to lower payments to producers, who in turn tried to offset the lower unit payments by expanding their production capacity. Producer profit margins continued to fall and the contract provisions became increasingly onerous. AAMA responded to the calls for help and in 1966 started its organizational activities. The effort resulted in widespread opposition from the integrators and their trade associations. The opposition arose despite the AAMA policy of not going into a new area until a grower survey was completed and a definite request from area growers had been received and a real need existed. AAMA officials also met with integrators to explain why the program was being initiated and what the objectives were. The organization effort met with practically no support from the integrators, and more open hostility

than neutrality. Even the Extension Service personnel in some States were reported to have made it clear that they were not on the side of the organizing efforts. AAMA's early efforts were devoted principally to education and information sessions. One of the objectives was to develop a model contract that could be adapted to individual company operations.

Despite the opposition and hostility, AAMA did meet and discuss its objectives with most of the integrators whose growers were organized. However, a pattern of contracting and being recognized as the bargaining agent for the producer continued to elude the organizers. The discussions and negotiations did, however, lead to many improvements in the contract terms being offered to growers. The threat of organization had a significant effect on the broiler industry. Perhaps the most important achievement was getting the USDA, through the Packers and Stockyards Administration, to issue regulations that required that all grow-out contracts be in writing and meet minimum standards. The National Broiler Council that fought the AAMA efforts adopted a code of ethics designed to eliminate a number of practices that were objectionable to growers. Many other notable advances and changes were brought about as a result of the efforts of AAMA. However, after 6 years of effort, the program was terminated. The reasons given were lack of grower support and too many free riders, insufficient support from some of the industry's leaders, lack of adequate financing, refusal on the part of leading integrators to bargain in good faith, and the continued hostility on the part of major factors in the industry.

The failure by AAMA to achieve its basic objective of organizing the broiler growers is understandable for, besides the reasons given, it involved a multi-State effort on a major agricultural commodity controlled by large processing and marketing firms. These firms had developed a system of grow-out contracts that had reduced the farmer's independence and control to a minimum. Bargaining was a threat to the system and induced maximum resistance. AAMA's efforts also commenced at a time when commodity bargaining on a widespread scale was just getting underway.

A Half Century of Progress

By the end of 1970, a great deal of progress had been made in agricultural bargaining. Since the end of World War I, the successes have far outweighed the failures. Most of the growth has taken place since 1950. The mergers and acquisitions in the food industry were a power-

ful stimulus in developing interest in the idea of farm bargaining. Further interest was stimulated because of the instability associated with Government price support programs. Farmers are becoming increasingly aware that they alone must deal with their economic problems through their own organizations. Most of the Nation's canning crops are subject to price negotiations between producers and processors. In some areas of the country, the practice has become institutionalized, particularly on the west coast. Much of the Nation's milk is subject to price negotiations carried out between co-ops and the bottlers and retailers. Most of the sugarbeets produced in the United States are subject to terms arrived at by negotiation between beet grower associations and the sugar companies. Most of the Nation's dried fruits are subject to negotiation concerning prices and terms of sale. Some fresh fruits and vegetables are influenced by the action of service associations. Participation contracts in which producers, through their own organizations, negotiate the nonprice terms of the contract are used in Florida for citrus. There are instances of some local success in the case of livestock and grains.

Those trends will not abate. As more of the Nation's food industries come into contact with constructive bargaining, the resistance will become less and perhaps the legitimate objectives of the American farmer will be realized. Legislative proposals designed to require good faith bargaining between the farmers and their customers will become law some day, and the inevitable growth of the concept of bargaining will include more commodities and more situations, each tailored to meet the special needs of a particular market.

Some measure of the growth of farm bargaining can be gained from the following table. What is significant is the volume of agricultural commodities affected by the bargaining effort. It is evidence of the fact that farmers are achieving a measure of influence in the pricing of their production. This table deals only with fruits and vegetables. There are many other activities both direct and indirect in which associations of farmers are influencing the prices and terms of sale for which no data are currently available.

The share of milk delivered by cooperatives to plants and dealers in 1973 amounted to 76 percent in the United States; this was up from 67 percent in 1964.[6] The figures include milk handled through bargaining

[6]George C. Tucker, William J. Monroe, and James B. Roof, *Marketing Operations of Dairy Cooperatives,* FCS Research Report 38, U.S. Dept. Agr., Farmer Coop. Serv., 1977.

transactions, but no precise data are available to identify that amount. The growth that has taken place particularly in connection with regional bargaining associations would indicate that bargaining affects a major share of the milk handled by cooperatives in the United States.

Table 1 – Selected cooperative statistics, noncitrus fruits and vegetables and sugarbeets, 1978

Item	Fruits[1] and vegetables[2]	Sugarbeets
Number of associations	30	4[3]
Number of members	15,723	11,625
Total dollar volume subject to negotiation	858,787,902	487,610,250[4]
Total dollar volume processed	2,888,770,362	669,981,200
Percentage of processed volume negotiated	29.73	72.78

[1]Does not include cranberries, strawberries, and citrus fruits.

[2]Includes 13 major vegetables for processing and potatoes.

[3]Includes the American Sugarbeet Growers Association, a trade association having nine affiliated bargaining associations and three independent associations

[4]Dollar volume represents value of sugarbeets negotiated by members of sugarbeet bargaining associations

IV. How Farm Bargaining Works

Opportunities and Limitations

Farm bargaining can best be described as a rational means of determining price and nonprice terms of sale of a farm commodity. Farm bargaining is an orderly process and procedure for determining terms of trade; it is not a game. It is a means whereby farmers can achieve equity. Farm bargaining works. It has a proven record of performance, particularly in processing crops and for fluid milk.

Farm bargaining is a viable alternative to the so-called free market. There is an inequity in today's market brought on by the existence of very few buyers, who frequently do not compete for supplies in certain production areas, and many sellers, some of whom are locked into production of certain commodities because of capital investment, poor alternative uses for the land, or inability to enter into the production of other crops or commodities.

Farm bargaining has not been successful as a device to achieve prices for commodities that are greater than may be justified by economic and supply conditions. Many failures in bargaining efforts can be traced to heightened expectations by farmers for unreasonable prices or terms of sale. Bargaining cannot overcome the law of supply and demand, nor can it maintain profitable production for a commodity that has lost favor with consumers, is produced in oversupply, or is no longer able to compete on economic terms with other areas or other commodities. Bargaining can and does achieve the highest prices that can be justified by economic and market conditions.

Farm bargaining seems to work best when dealing with a single commodity. Even when such an integrated organization as the Michigan Agricultural Cooperative Marketing Association Inc. carries on the bargaining process, it is along commodity lines. Each of the commodity committees and each division negotiates and bargains independently of the other divisions in MACMA. NFO also breaks down its pricing activities by commodity.

Farm bargaining has definite limitations. The constraints on price include the need to negotiate prices and terms that will continue to maintain the interest and profit of the handler or processor. Large integrated companies often operate with big-volume, low-cost plants. If bargaining results in lost profit opportunities that cannot be recaptured from the marketplace, such companies will close a plant or terminate an operation, causing growers in the area to lose a market. The handler/processor's economic situation must be understood for bargaining to be successful.

Prices must be maintained at a level that will continue to move production to the trade and to the consumer. Low prices can often be overcome in a gradual manner, increasing the price year after year; sudden price changes often meet resistance with the trade, and valuable time can be lost. This kind of price strategy, however, is not easy to put into effect. Excessive supplies in any one year can frustrate such plans as can a shortage of supplies, when handlers and processors bid prices up in order to maintain market shares or brand position. Experience and knowledge of the market must be relied upon to make good judgments concerning the maintenance of prices that will keep the product moving to the market.

The relationships between competing commodities are important. At the Peach Association we learned that if canned peaches were consistently more costly than canned pineapple, for example, buyers would switch to pineapple.

When pricing a commodity it is well to keep in mind that all that anyone concerned with the commodity wants, is a fair advantage. This is true of the retailer, the distributor, the processor, and the grower. A fair advantage can be a larger share of the market, better quality, lower costs, or lower or better prices, as the case may be. Everyone concerned will press to obtain that fair advantage. That is why it is so important for the bargaining association to have superior knowledge of the market and the needs of those who are involved with the commodity.

There are also legal constraints that a bargaining association faces. The principal one is the obligation on the part of the Secretary of Agri-

culture to prevent undue price enhancement under the terms of the Capper-Volstead act. Buyers and others will seek to have this restraint applied if they believe that a bargaining association has unduly enhanced the price.

Common Characteristics

Farm bargaining associations have a number of common characteristics.

1. Their primary purpose is to achieve fair and reasonable prices and terms of sale for their members' production.
2. They have a few highly skilled employees whose entire attention is focused on developing market intelligence, communicating with members and other growers, maintaining ongoing relations with the buyers and the trade, and taking whatever actions are necessary to improve the market for the commodity.
3. Capital investment in buildings, equipment, or storage facilities, except in the case of milk bargaining, is at a minimum. The need for providing transport and diversion facilities has caused some of the milk bargaining associations to make capital investments in transport and manufacturing facilities.

Philosophy

The philosophy of a typical farm bargaining association is rather simply stated: To achieve the highest prices and terms of sale that can be justified by the economics of supply, demand, and market conditions. Such a philosophy requires a certain degree of sophistication. However, if the goal of a new association is to "get even for past actions," or to impose unreasonable and unfair sanctions on an industry, the effort is bound to fail. Successful farm bargaining is based on an association's realistic appraisal of its power, its opportunities, and its limitations.

Bargaining Power

The term "bargaining power" is a relative term. Buyers of farm commodities are in a position to maximize power when they buy from many different sources. The buyer can play one seller off against another. The buyer who is large and dominant can control market intelligence and knowledge to gain an advantage over a competitor. Buyers can cover up inefficiencies in manufacturing and marketing by the manner in which they buy raw material. A farm bargaining association can severely

restrict such buying and bargaining power on the part of the buyer; the principal gain that has been made as a result of farm bargaining has been to deny such bargaining power to the buyer and bring some equity to the transaction. A farm bargaining association tends to equalize bargaining power by denying to buyers the natural advantages that have been theirs by default. This can best be done when the association is able to get a firm grasp on market intelligence and information. "Bargaining power" can often be equated with superior knowledge of the market.

The Individual Farmer's Weaknesses

An individual farmer's principal weakness in bargaining falls into five categories:

Relative Size and Assets. Few farmers who market their production to a commercial processor or handler can match the buyer's economic power and size. Despite the growth in the size of individual farms, few can match the power of the buyer except when joining with others to achieve a measure of equity. The capital investment per unit of production is often greater for farmers than for buyers. The risks of loss from weather and pests are much greater for the farmers than for the buyers. Today's farmers do not have the flexibility to shift from crop to crop. They often have sizable investments in machinery and equipment designed to handle the crops they grow. Farmers who produce perennial crops have no flexibility. They are price takers, not price makers. They are often in a position of having but one or two buyers for their production; rarely do several buyers compete for what they produce.

On the other hand, buyers of farm commodities are larger and fewer in number than a few years ago. Large national and international food companies tend to dominate prices and terms of sale for the commodities they buy. Today, company representatives work "by the book." The close working relationship that used to exist between the owner of a food company and the grower-supplier has almost disappeared. Company buyers don't want to "make waves" and internal operations are often defensive in character. It is a system with which an individual grower is not prepared to deal except through membership in a bargaining association or an operating cooperative.

Control of Timing. When to name or offer a price is always of great importance. On annual crops, for example, a grower eager to make plans is easy prey for a buyer who makes an offer at the last moment. A grower who speculates on a sale after planting is often at the buyer's

mercy at harvesttime. A skillful buyer has good knowledge as to alternative crop values and the total supply of uncontracted tonnage. Occasionally, weather damage can change the supply situation, giving the grower an advantage. When that happens, it is the competition between buyers that jacks up the price, not the bargaining power of the individual farmer.

A bargaining association can influence the timing for price negotiations. When buyers negotiate prices with an association, the need to play games with timing in order to gain an advantage or reduce costs by exploiting their buying power is no longer as important. The association cannot only influence the timing of price negotiations for the mutual advantage of both buyer and seller, but can also negotiate terms that will take into account the added value of the commodity if supplies are short. Several west coast associations have negotiated sliding scale prices that provide for various prices adjusted to final volume of a commodity produced.

Market Intelligence. Few individual farmers have the time to analyze the market for their production. Generally, they rely on the buyer for their market intelligence. Those farmers who do have the time to study their market find that the basic information they need to make rational marketing decisions is either not available, incomplete, or inaccurate. A major function of a bargaining association is to furnish its members with timely, accurate market intelligence. Skillful buyers base their buying decisions on superior market information. Most large companies operate with profit centers and budget their purchases to accommodate their profit objectives. These profit projections are often arrived at months before a crop is planted or even before the preceding harvest is over. Working against a profit plan often puts a grower in an impossible position. A bargaining association can undertake the negotiations at a time that coincides with the time that purchase plans are made in the corporation.

Having a Home. Farmers' need for a home for their production puts them at a disadvantage in bargaining. As the competition among buyers decreases because of fewer and fewer buyers, the farmers' disadvantage increases. The volume that farmers produce, the terms of sale, the quality of the seed, the method of delivery, the means for determining quality, delivery quotas, time of delivery, and method of harvest are all significant factors, in addition to price, that influence the farmers' net return. If farmers must have a market for their production, particularly if there are but one or two buyers, they are forced to

compromise either on terms of sale, or price, or both. Ideally, farmers would like to operate like buyers, and make a marketing plan that would maximize the use of their land, their skills, and their investments.

A farm bargaining association can help farmers to collectively make a market plan to move the right volume to the market, thus improving efficiency and preventing waste.

Finalizing a Sale. Buyers often buy in such a manner as to make maximum use of the grower's resources in financing the crop. Stories abound about delays in settling prices with growers. California growers of wine grapes, for example, once had to wait 6 months for a final settlement. Citrus producers often find themselves receiving final payments after the crop has been sold in the retail stores. A bargaining association can conserve and protect the farmers' resources.

Growth in Spite of Fears

Farm bargaining has grown in spite of the fears and inherent disadvantages of farmers. It was farmers' fear of discrimination that caused the Congress to pass the Agricultural Fair Practices Act of 1967 against the powerful opposition of processors and handlers. It is significant that there was a major growth of farm bargaining associations before the act was passed. Processors and handlers, fearful of losing a fair advantage, employed a number of tactics to discourage further growth. A major tactic was to discriminate against those producers who joined an association. Discrimination took place in the form of terminating contracts, offering less favorable terms to association members, blacklisting association members, refusing to deal with association members, and offering financial incentives to nonmembers.

The fears and apprehensions of farmers contemplating joining a farm bargaining association are very real. Buyers, even with the Agricultural Fair Practices Act in effect, continue to exploit these fears. The farmers' principal fear is that of losing a market for their production, particularly when the market is limited to a few large buyers. Buyers can impose disciplines in very subtle ways without refusing to deal with a farmer who is thinking of joining a bargaining association. Such tactics as reducing acreage, imposing more restrictive grade standards, bypassing acreage, delaying decisions, holding up payments, bringing in products from other areas, and starting rumors are all calculated to send signals to farmers that they should refrain from joining a bargaining association.

For those who have had the courage to make the break, the rewards have been worthwhile. Farmers have learned that the threats and intimidation tactics of the buyer were part of a game and when the bargaining association was formed, the buyer continued to do business. The most difficult decision is the one faced by a farmer who has enjoyed special treatment in the form of bonuses or special handling concessions. Such advantages are hard to give up unless there is a strong conviction that the bargaining association can bring about better terms and prices. The fears and apprehensions of farmers who are thinking of joining an association can only be overcome when they believe in and understand the goals and the philosophy of the association.

Association Goals

Most associations are concerned with five basic goals.

Price Enhancement. The prices that farmers receive generally fit into three categories: (1) A good price is usually made when supplies are short, demand is good, and there is competition among the buyers for the farmers' production. Good prices are what farmers remember and like to talk about, but seldom receive. (2) An acceptable price is one above the cost of production and is sufficiently high to keep the complaints of farmers at an acceptable level. (3) A poor price is generally one that occurs when there are poor alternative crops or markets, when supplies are greater than demand or when the buyer is losing money. A poor price is often the forerunner of a bargaining association. For most farmers, price enhancement means achieving a reasonable price, which is the highest price that the economic conditions of supply, demand, and market factors can justify.

Price Stability. Farmers want a price mechanism that will give enough price stability to allow them to make systematic financial plans.

Coordination. Farmers are looking for a more systematic way of relating farm production to society's needs. Both the adjustment of total supply to demand at a stable price and the efficient organization of farmers' production and marketing methods to meet demands are involved. A farm bargaining association provides a group mechanism for coordinating farm production through planning that is vastly superior to the alternative of government planning and controls over production decisions. Farm bargaining associations have effectively worked with marketing orders and agreements as a self-help vehicle to achieve coordination and orderly marketing conditions. This is particularly true in California where both State and Federal marketing orders have been

used. Advertising and promotion programs, research, third party grading, set-asides, surplus programs, all have been used as a means of obtaining better distribution, better information, and better quality. The California experience, however, has found that the State and Federal administrators have been insistent upon operating the programs with major consideration for the public interest.

Nonprice Terms of Sale. Farmers want a say about nonprice terms of sale. They are faced with an increase in the practice of specification buying and delivery terms to accommodate the buyer's needs. Too often, nonprice terms that proved to be irritating, costly, and unfair were mandated by buyers. A farm bargaining association can regularize and improve nonprice terms of sale and obtain a value for the added costs that may be involved.

A Sense of Participation in Shaping Destiny. Many farmers are frustrated because they believe they have little or no influence over the market for their production. They find it difficult to make intelligent plans for the future. They are concerned over the increased investment required to operate a modern farm. They often feel manipulated and used. Farmers traditionally have been surrounded by uncertainty from the day of planting to the time of sale of their crops. A farm bargaining association provides a means for farmers to participate more directly in shaping their future.

V. Types Of Bargaining Associations

The farm bargaining associations whose major objective is to improve the economic climate of the producers of a particular commodity, be it price, terms of sale, or better markets, generally fall into five categories.

Marketing Type

The principal identifying characteristic of this type of association is that it takes title to the production of its members and negotiates the prices and terms of sale. Such an association may operate one or more pools, divert products to alternate uses, and average out returns to the members of the pool. There may be provision for retains to be used for equalization purposes. Retains may also be provided to carry out marketing activities that are beneficial to the entire pool.

A typical example of this type of association is the California Canning Peach Association. Its membership agreement passes title of the members' production to the Association. Failure to do so imposes a penalty on the member. Sale of the tonnage is made by the Association to its cannery customers. Members express a preference as to which cannery their production should be sold to, but the contract of sale is made between the Association and the cannery. For years the Association operated a single pool and members were guaranteed a home for their production. To back up this assurance, a revolving fund which retained 10 percent of the total value of the annual pool was withheld. Growers whose fruit was unsold would be compensated from the 10 percent money retained. Fruit remained unsold in only a few years, but the system served to overcome the fear of growers. Later, the Association

established additional pools. One pool included all of the production for members whose fruit was contracted by a certain date. A second pool was made up of tonnage that was uncontracted prior to harvest. Growers received the average returns from each pool. The multiple pool system was a means of separating those growers who, by virtue of variety, location, and quality, always had a ready market for their production from those who may have been marginal producers or whose orchards were in locations that suffered more from weather damage, and thus were not as reliable. The Association for many years supported a marketing order that would surplus by means of a "greendrop" the excess production of any year. The Association now has reduced its annual retain to 1 percent of gross value to maintain a $1 million revolving fund which may be used to aid in marketing any of its fruit. The fund has been used to finance a custom pack and export sales. The fund is maintained at a $1 million level with the excess revolved out to the members each season.

Milk bargaining associations have similar arrangements for pooling production and diverting excess milk to manufactured products.

A marketing type association enjoys greater flexibility and can develop greater bargaining power than any of the other types of bargaining associations. It also imposes greater disciplines on the members and requires maximum skills of management and strong dedicated grower leadership.

Marketing type associations tend to become institutionalized more rapidly than any of the other types of bargaining associations. This is primarily due to the responsibilities imposed on the association to market all of its members' production. The association also has the opportunity to become a reliable source of quality production for the buyers.

Bargaining or Sales Agent

Many bargaining associations operate under variations of the exclusive bargaining agent arrangement. Membership agreements generally provide that, as the exclusive bargaining or selling agent, the association will bargain or negotiate prices and terms of sale on behalf of the members. The members agree that they will not otherwise sell or contract for the sale of their production except under such minimum terms and conditions as are fixed or established or approved by the association. In most cases, liquidated damages are provided for, should the members market the production they have under contract with the

association at prices or terms that are less than those established by the association. The association may fix the minimum price and terms by prescribing or approving the form and substance of the purchase and sales agreement to be entered into between the member and the buyer.

Under this type of organization, members are restricted with respect to their ability to negotiate or contract to sell their crops except under prices and terms of contract approved by the association. Under this plan of operation, the farm bargaining association negotiates prices and terms of sale of contracts between the member and the buyer. The traditional means of transferring title remains unchanged. The farmer and the buyer maintain contact, and only the essentials of price and terms are subject to modification. Such an association does not have quite the flexibility that a marketing-type association has. At the same time, the member retains a certain amount of freedom in being able to choose and maintain contact with the buyer.

Typical of this type of organization are the California Tomato Growers Association and the Michigan Agricultural Cooperative Marketing Association.

A unique modification of this method was initiated by the California Canning Peach Association. Canners had, over the years, entered into long-term open-price contracts with certain growers with desirable lots of fruit. Such growers were not able to join the Association because their fruit was already fully contracted. The Association then developed an agency agreement under which the Association was designated as the grower's agent for purposes of negotiating the price provisions of the contract. The concept presented the processors with a situation in which they negotiated with the Association for purchase of its fruit, so they could hardly afford to refuse to negotiate for price for their contract growers' fruit. The arrangement provided a means for the Association to increase its share of the processor's total supplies subject to negotiation. Under the arrangement, growers agreed to become regular members when their term contracts expired.

Exclusive Representative in Collective Bargaining

This term describes the NFO arrangement. The National Farmers Organization operates through National NFO Commodity Departments that assist marketing-area marketing committees with respect to negotiations and coordination. Bargaining is done by elected Marketing Area Bargaining Committees who are elected in each county for each commodity. However, the NFO membership contract specifically

provides that NFO is a "service organization, bargaining for its members who have signed marketing contracts."

The NFO contract for dairy producers authorizes NFO to act as "exclusive agent to enter into contracts for the sale of all milk or dairy products." Payments and collections for the sale of milk are handled through an NFO Dairy Custodial Account. The NFO contract of sale for grain provides that, "the member and NFO agree that the NFO as bargaining agent for its members has entered into or will make its best efforts to enter into a contract and has agreed to sell to NFO negotiated buyers. . . ."

The sales contract for slaughter livestock and wool provides that the "member and NFO agree that NFO on behalf of its members has entered into or will make its best efforts to enter into a contract and has agreed to sell to NFO negotiated buyers. . . ."

Each of the departments in NFO has a bargainer who contacts the trade and negotiates the best prices possible. Members' production is often combined with others to enable block sales at more desirable terms and prices.

Market Service Association

A service-type association generally is involved with providing market supply and demand data to its members on a timely basis. Service organizations are frequently the forerunner of a full-fledged bargaining association. The service organization does not engage in direct bargaining with buyers, but will maintain contacts with the trade to keep up to date with marketing and buying activities.

A typical example is the manner in which the California Tomato Growers Association (CTGA) used to operate. For many years it operated as a service agency. It assisted its members in connection with cultural and farming problems, particularly as they related to the procurement of harvest labor. The Association became a reliable source of information for processor buying activities, keeping members informed on prices and terms of sale being offered by processors. It analyzed market conditions and then adopted a series of recommended prices to enable members to seek a common price objective in their individual negotiations. The Association took a leadership role in trying to establish uniform grade standards under State of California Regulations. It also represented its members in connection with legislative matters that affected the industry. It provided the leadership that led to a proposal for a State Marketing Order. In some of its activities it worked

with processors and buyers, and in others, the Association met stern opposition from the State tomato canneries. Each time the Association was frustrated in reaching a reasonable grower objective, particularly with regard to prices and grade standards, there was increased interest by growers to form a bargaining association.

In 1973, the tomato association finally announced its intention to enter price bargaining. A 2-year membership agreement was offered to the members that provided that, "this contract shall become operative only if the members representing 65 percent of the acres planted to processing tomatoes in the previous crop year in the State of California have signed and delivered to the Association contracts similar to this one."

The requisite contracts were signed and CTGA is a major factor in commodity bargaining today. As a bargaining association it has been able to initiate a number of improvements in quality standards and delivery terms that have made the tomato industry a better one for growers and processors alike.

There are some other service associations organized in California which may be forerunners of full-fledged bargaining associations in the future. Typical of these are California Citrus Mutual, California Association of Winegrape Growers, and the Olive Growers Council of California.

A new and innovative type of service organization is the Central California Lettuce Producers Co-operative, which has as its members most of the growers and shippers of lettuce in the Salinas/Watsonville area of California. It was organized in 1972 to engage in any activity in connection with the production, marketing, and selling of the farm products of its members. The members maintain their own field and sales organization. When the organization was formed in 1972, there was no orderly marketing and there was little if any exchange of information among the various shipping and growing organizations. The lettuce shippers had experienced a whole series of marketing and information problems that plagued the industry. Many trade practices were in effect that created a disorderly marketing situation and actually served to impede the sale of lettuce.

As a result of the organization of this service type of cooperative, the grower-shippers have been able to implement a number of improved practices that have brought some order into a formerly disorganized industry. Some of these improvements were:

1. The payment of a 10 percent brokerage fee to the representatives of eastern chainstores and buyers was eliminated.
2. Market decline "protections" that involved the practice of shipping f.o.b. acceptance arrival were eliminated.
3. The practice of shipping unsold cars or rollers was abandoned.
4. Weekly lists of outstanding accounts receivable were prepared on the basis of the 30-, 60-, and 90-day accounts being carried by each member.
5. Weekly estimates of production were prepared. Estimates of acreage, yield, volume, and daily shipments were made by each member a week in advance.
6. Based on the information received, the Association would establish a floor price and a ceiling price per carton of lettuce.

It is noteworthy that the Association has attempted to set the floor price for the sale of a carton of lettuce at, or just below the production costs, depending on volume. This would mean that members could not sell their lettuce for less than the floor price. Ceiling prices have often been set at prices below the going market price, on the theory that this would establish a good market for a longer period of time.

The Association does not bargain with buyers and does not harvest or handle lettuce in its own name. It is not intended to be used as a profit-making organization, which the members believe would be self-defeating because it would lead to increased production.

When the Association was first organized, it was immediately met by a series of legal challenges. First came a complaint issued by the Federal Trade Commission alleging that the cooperative violated Section 5 of the Federal Trade Commission Act through practice of the cooperative's members illegally agreeing among themselves on the price for which they would sell the lettuce they produced. In addition, a northern California supermarket brought a complaint before the U.S. district court in northern California alleging that the cooperative conspired to increase the price of lettuce. The Federal Trade Commission in July 1977 voted five to one in favor of the Central California Lettuce Producers Cooperative, saying that the Capper-Volstead Act applied squarely in this case. The Commission further said that, in view of its decision under the Capper-Volstead Act, it saw no need to consider whether Section 6 of the Clayton Act or the Cooperative Marketing Act of 1926 provided independent authorization for the cooperative's activities.

The district court also ruled in favor of Central. The United States Supreme Court in January 1979 denied a request for a writ of certiorari and thus indirectly affirmed the opinion of the ninth circuit court of appeals which had ruled in favor of Central. In the judge's decision in the district court, he said, "Even if Central is engaged in no other collective marketing activity, mere price fixing is clearly within the ambit of the statutory protection. Accordingly, I hold that Central's activities are protected from the antitrust attack by both the Capper-Volstead Act and Section 6 of the Clayton Act because it is doing no more than carrying out legitimate objectives of an agricultural organization."

The type of cooperative farm bargaining association is determined by the needs in each particular case and Central is a good example. It is very difficult to change the marketing practices that have grown up over a period of years. There may be much fine-tuning or modest change that can be accomplished with a bargaining association, but the best solution is to work with the traditional patterns and remove or change those things that cause the system to work against the best interests of the producer.

Exclusive Agency Bargaining

In 1972, the Michigan legislature adopted legislation entitled "Agricultural Marketing & Bargaining Act, Act No. 344, Public Acts of 1972." Under this legislation farmers for the first time found their bargaining efforts supported by a government agency taking an active role in implementing collective bargaining by farmers.

The Michigan legislation provided four basic elements. It established a board that would: (1) Provide a mechanism that would define a bargaining unit, (2) determine recognition of a bargaining cooperative to represent all growers in the bargaining unit, (3) provide for mediation and arbitration, and (4) enforce a set of rules related to fair bargaining and equity treatment.

The Michigan Agricultural Marketing and Bargaining Board consists of five individuals appointed by the governor with the advice and consent of the Senate. The Board has the authority to promulgate the rules necessary to administer the act.

In order to qualify, an association must seek accreditation by filing a written request with the board and by submitting evidence that it: (1) meets the requirements of the Capper-Volstead Act, (2) has an acceptable set of bylaws that include democratic election of a bargaining committee for producers within the bargaining unit, (3) has valid, signed

contracts representing more than half of the farmers and half of the production of the commodity defined within the bargaining unit.

The board makes a decision as to whether or not a proposed bargaining unit, a geographical territory, is appropriate. The law requires the board to define the largest bargaining unit possible consistent with a set of criteria that includes: (1) the ability to bargain effectively, (2) no conflicts of interest among members, (3) wishes of growers, and (4) past marketing patterns.

Good faith bargaining is required. Rules governing fair practices are an important aspect of the legislation. Handlers are not allowed to interfere with the efforts to organize for collective bargaining, nor are associations of farmers allowed to use unfair tactics in organizing for bargaining or to discriminate in treatment among farmers in the bargaining unit. The non-discrimination provision becomes especially important in pooling arrangements and supply management practices within an association. Fees charged by the association to nonmembers must be related to cost of services provided and are limited by board rule. All producers within a bargaining unit must be allowed to join the association if they choose to do so.

The Michigan legislation is plowing new ground in the field of cooperative farm bargaining. The concept addresses a number of problems that associations have had to deal with. It removes a number of fears of producers when they consider the organization of a farm bargaining association, such as coercion, discrimination, intimidation, and refusing to bargain in good faith. It provides for a specified period during which negotiations must take place, thus removing the advantage of choosing time for negotiation from the buyer; also, it deals with impasse problems by providing for mediation or arbitration. It addresses the "free rider" problem by requiring nonmembers of the accredited bargaining association to pay their proportionate share of the costs of providing the bargaining services.

Processors and handlers are challenging the legislation in the courts. The original legislation was destined to expire in September 1976. The act was made permanent by the Michigan legislature in 1976.

VI. Why And How Bargaining Associations Are Organized

Bargaining associations come into existence whenever the growers of a commodity experience prices that are below cost of production or terms of trade that are costly, nonproductive, and irritating. Often, buyers exhibit patronizing and arrogant attitudes that will lead growers to seek ways of dealing with such attitudes. An examination of some of the reasons why growers organize may explain the triggering points that lead to the formation of bargaining associations.

Below Cost of Production Prices

The buying power of the buyers of agricultural commodities is often so great that the temptation to take advantage of that position causes prices to be named that not only too low, but patently unfair. Modern farmers are keenly aware when an unfair price is imposed on them. This imposition is often made by the representative of a large and powerful corporation and in a manner that stimulates a call for action.

The food industry is a highly competitive one. Raw products make up a major cost of the finished product. Whenever a large buying company establishes a price for its commodity requirements, that company literally forces its competitors to meet its prices. Thus, one buyer can often establish below cost of production prices for agricultural commodities. Every bargaining association has heard buyers say that they cannot be placed in a position where a competitor can buy at lower prices. Thus one large company can, by its buying tactics, completely dominate a commodity price.

Modern management techniques also tend to depress prices for farm commodities. Big corporations work with profit centers in order to stimulate good management practices. Profit centers are not only highly rewarding to the individual managers in monetary terms, but also are a common measurement used for company advancement. The temptation to use low prices of raw materials to achieve corporate goals is a common practice. A farm bargaining association provides a means to meet this challenge. Farmers themselves frequently contribute to lowered prices. This is particularly true with respect to commodities that compete with other commodities for land use. Vegetable and field crops, for example, may compete with each other. Potato growers with lands that can grow grains or sugarbeets find that their prices for processing potatoes will be influenced to a major degree by the prices being offered for grains and sugarbeets. While the market for processed potatoes may be very profitable, justifying a good price for the raw product, prices are often dictated by the prices of competing crops, and the resulting willingness of growers in the region to seek potato-growing contracts if they are more profitable.

Adverse Terms of Trade

Modern agricultural processing plants and handling operations are moving more and more to specification buying. As labor costs move up, it is often much easier to transfer some element of the assembly line cost back to the producer. Environmental regulations are also a factor in transferring costs to the producer. Having the exact quantity of raw material delivered at the right time can have an enormous impact on processing and handling costs. Modern computer technology pinpoints the areas in which savings can be realized. In the absence of a bargaining association, these needs are often expressed by imposing delivery restrictions and grade standards on producers that can be costly, require additional capital investment, and be irritating. A bargaining association can smooth the transition and play a constructive role in helping the buyers achieve their goals. Naturally, there is a value that should be related to such changes, and determining such a value is a legitimate part of the bargaining process.

The Arrogant Buyer

Many food companies, whose executives either don't understand the farmer's problems or have a biased view toward them, believe that the best buyers and field representatives come from the ranks of the farmers

themselves. But such buyers have often failed at the business of farming and can, by their manner, antagonize their sellers. There are, of course some outstanding buyers working for food companies and they are highly respected; I wish there were more of that caliber. Few, if any, top executives in the food industry come from the ranks of the procurement departments. This downgrading of the food company buyer, intended or not, has been a factor in stimulating farmers to take action in forming a bargaining association. An arrogant, patronizing buyer attempting to impose delivery restrictions on a commodity at an unfair price is the greatest impetus to the formation of a bargaining association.

Farmers Must Take the Initiative

When farmers begin to realize that they themselves must take the initiative to improve their economic situation, they are ready to move to a bargaining association. Government programs that provided a sense of security in earlier years no longer present a satisfactory reliable alternative. Bargaining is not a perfect solution to the farmer's problem. To be successful requires discipline. Farmers must yield some of their independence to group action. They must understand the need for solidarity.

Advantages to Food Companies

Most bargaining associations have been born out of frustration. Perhaps the time has come for farm bargaining associations to be born out of careful planning. Many food companies that have dealt with farm bargaining associations find there are some advantages to themselves in dealing with a well-organized and knowledgeable group of farmers. Corporations are used to dealing with organized groups among their employees and within the various trade associations. Such a company might welcome a strong well-organized ally to deal with government regulations affecting a commodity. Reducing costs through better coordination in the handling of raw materials can often be quickly and effectively achieved in cooperation with a bargaining association. Evidence of a change in attitudes is beginning to show up in talks made by food executives. Charles E. Bailey, an executive of H.J. Heinz Company, addressing the 23d National Bargaining Conference, told his audience, "We feel and recognize that agricultural bargaining cooperatives are here to stay. In recent years some of the cooperatives bargaining for price and contract terms have developed credibility and integrity which certainly is a credit to the agricultural community."

William Smith, former head of raw product procurement for Hunt-Wesson Foods, told the managers of the Pacific Coast Bargaining Association Meeting in December 1978 in San Diego that, "I think every successful bargaining association should strive to eliminate the emotional issues and the attitude to look upon each other as adversaries. Sellers and buyers need each other's support too much to spend very much of their time fighting each other."

There are many instances of successful and mutually rewarding results from cooperative bargaining. The California Canning Peach Association has been bargaining and negotiating prices with major food companies for over 50 years. The California Canning Pear Association has been negotiating for over 25 years, and there are many others involved with processing fruits and vegetables and fluid milk that have negotiated and bargained successfully for many years. There are however problems encountered in dealing with buyers by the best of the associations from time to time. A critical problem often arises when the decisionmaking executive in the food company leaves too much authority in the hands of subordinates. Subordinates, if influenced to a major degree by the company's profit plan or by a fear of their superiors, may be unable to carry on reasonable negotiations, and sometimes may embarrass their chief executives. This situation is often well known and recognized by the bargaining association and its members and does not contribute to satisfactory results for either side.

Four Essential Considerations

Successful farm bargaining associations have come into existence when certain basic considerations were present. Four essential considerations should be met before an attempt to organize is made.

Need. There must be a widespread need for a bargaining association and a genuine interest on the part of the producers of the commodity. A very careful judgment should be made, before the organizing effort commences, that the necessary degree of interest is at hand. There are a number of ways to determine this, such as by a sample survey of producers, by the turnout and enthusiasm expressed at information meetings, and by the impressions held by suppliers and dealers who regularly contact the farmers. An objective sample survey is the best vehicle to obtain an accurate evaluation.

Understanding. The farmers need to understand what bargaining can and cannot accomplish. One of the worst mistakes is to oversell the concept and cause the potential members to expect more than can be

delivered. Understanding can be achieved by bringing in people experienced in the business who can accurately describe the parameters within which farm bargaining can effectively operate. It must be understood that successful farm bargaining involves certain disciplines and may mean giving up certain freedoms of choice in marketing. There is a commitment involved on the part of every member of the bargaining association if it is to succeed. An economic analysis should be made to determine what advantage can be expected to accrue to those growers who will join a bargaining association. Such advantages include price enhancement, improved terms of sale, and the potential market growth.

Leadership. The leadership must include most of the recognized and respected leaders in the area. These must be persons of good judgment and sufficient dedication to see the project through. Those who frame their arguments in highly emotional terms should be encouraged to support the idea, but not to assume a leadership role. Price is an emotional issue with many producers, and yet price enhancement is seldom achieved through an emotional appeal. Beware of those who would use the bargaining association for their own ends. Such ambitions arouse suspicions among the members and a lack of respect among buyers. The quality of the leadership is a central factor in successful organizing and bargaining.

Allies. Organizing a new association requires the assistance and good will of many allies. The existing farm organizations, such as the Farm Bureau, Grange, and Farmers Union, can be valuable allies or sponsors of the new organizations. If prices have been poor, suppliers, financial institutions, implement dealers, and others who do business with the producer of the commodity can be enlisted for support. Care should be taken not to associate with an organization that is controversial and will contribute its enemies as well as its supporters.

If these four essential considerations are met, organizational efforts can proceed.

A Typical Organizing Effort

A typical organizing effort would involve establishing the following:

The Sponsoring Committee. A committee made up of responsible farmers and representatives of interested organizations should be the sponsors. In that role, they will develop the initial organizing plans. The sponsors will often determine the type of organization. A contact for the media should be named. Starting a bargaining association is news and

will attract attention from local and regional media. Irresponsible or misinformed statements in the early stages of development can often cause future problems. The media should have a knowledgeable and responsible contact who knows the issues. Plans for developing initial seed money must be adopted. Sources of initial seed money include contributions from the sponsors or leading farmers, contributions from allies, or loans from lending institutions. Plans should be made for initial information meetings and the method of selecting an organizing committee. The organizing committee will have the responsibility of developing the plan of organization, developing a form of membership agreement, and going through the legal steps of incorporating the association. The members of the organizing committee will frequently make up the initial board of directors, so the manner of selection of these people is important. Every effort should be made to make sure that the members of the organizing committee are representative of the potential membership.

The Organizing Committee. The organizing committee members must supply the initial leadership for the new organization. They would be well advised to employ as a consultant a person with experience in bargaining. They will need the services of an attorney with a knowledge of cooperative law, antitrust work, and some experience in working with bargaining associations. The organizing committee can significantly influence the tone or philosophical approach of the new organization. Will the new organization be activist and aggressive or will it develop its bargaining power on the basis of good research and careful analyses? Will its growth be fast and dramatic or reasoned and deliberate? These choices will have much to do with the success of a drive for membership.

The organizing committee will choose the first employees, develop the means for financing, and establish the initial goals of the association. The organizers will be faced with many important decisions as they go about setting up a new organization. Some of these decisions, and how others have dealt with them, follow.

Size of the Board. Bargaining associations need a superior system of communications with the membership. Every farmer has a strong opinion as to what constitutes a reasonable price and acceptable terms of sale. Farm bargaining imposes an obligation on the members to base their opinions about price on good factual information about supply, demand, and market conditions. Communicating these facts to the members requires good organization and considerable skill. This will influence the decision on the size of the board of directors who will have

the responsibility of establishing the association's prices and terms of sale. The board, therefore, must be sufficiently large to be representative of the area to be covered, yet not so large that it cannot operate effectively. To be representative, the makeup of the board should, as far as possible, give consideration to such matters as the size of the member's operation, age, experience, and ethnic background. Inevitably, a large board ends up with an executive committee that makes many of the key decisions.

District Advisory Committees. Such committees have proved to be an excellent complement to a reasonably sized board of directors. Although district advisory committees do not have decisionmaking powers, they do provide to the management and the board an excellent means for communication and inputs on grower attitudes. Generally, directors are selected by districts and advisory committees can act as nominating committees for the district board members. District advisors, in some cases, are elected by the members in the district, particularly if they have the responsibility of acting as a nominating committee. District lines should be carefully drawn with consideration given to homogeneous groups.

Members' Voting Rights. This issue can also be controversial, particularly when the members are not of the same relative size. While one member-one vote is very democratic, it often fails to attract the larger producer whose participation is essential to success. A popular solution is to provide one vote for a given number of units of production, with each member having at least one vote. A limit is then placed on the maximum number of votes that any member may have, thus giving some consideration to both the large and small producer.

A typical example would be where the average number of units of production per member would be 100 tons. Each member would be entitled to one vote for each 100 tons or less. For each additional 100 tons, the member would be entitled to an additional vote, but not exceeding 10 votes.

Membership Agreement. The type of agreement will need the careful attention of the organizing committee. The decision on whether the new association will be a marketing-type association where title and responsibility for the member's crop is placed in the hands of the board, or whether the new organization will act as a bargaining agent for the members, or operate as a service organization will be spelled out in the membership agreement. The obligations of the member and of the association are defined. The organizers should carefully analyze the

type of organization that will develop the maximum bargaining power, and yet be acceptable to the members. It is essential to provide for sanctions on those members who fail to live up to the terms of the agreement. A liquidated damages provision with a penalty of sufficient size to discourage membership actions that weaken the association's position will generally suffice.

Consultants and Legal Help. Advice and counsel from people with a knowledge of the problems of the industry beyond the farm gate should be called on when preparing the membership agreement. A cooperative agreement, once signed up, is hard to amend later on because it may involve a whole new signup for an amended agreement. Care should be taken, therefore, that the document does not contain a provision that does not fit the practices in the industry and that will need to be changed later.

A provision in the membership agreement can stipulate that the agreement will become effective only when producers farming not less than a specified number of acres, or producing a specified volume, have signed the agreement. The acreage or tonnage goal should be of sufficient size to give the new association some standing from the beginning. Farmers like to feel that they are part of a successful organization. By assuring them that the organization will become operable only when a significant share of the total production is signed up, a basic concern can be met.

Membership Signup. The membership drive should be carefully planned. It is most important to secure an accurate list of potential members. Such a list can be prepared with the help of allies and by searching the county records. For some commodities, lists can be purchased from publications.

An initial membership drive should be broken down into the smallest number of practical units, with each unit served by a membership committee with an active and responsible chairman. The committees should be carefully briefed and furnished with pamphlets and information describing the new association. Personal calls, in addition to local meetings, should be encouraged. Each local committee should be urged to set a signup goal. Each committee should be contacted frequently for a progress report.

Media coverage should be arranged. Free publicity can be obtained, but if there is a strong opposition group, it too can secure the same free publicity. Sometimes it is better to pay for advertisements to be sure the right message gets through. A good mailing list serves to pinpoint the

targets, and frequent well-written bulletins can be of enormous help. In dealing with the media, efforts should be made to find those individuals who know what they are talking about. Interviews by phone or in person should be resisted by the inexperienced. Well-prepared press releases are the best method of getting a message out. Each meeting can be the source for a good press release. Be careful about making press releases too self-serving.

Timing. The best time to start is when the interest is greatest, but the availability of people to act on membership committees is also important.

Financing

The organizing committee will need to examine the means for financing the organization. A nonrefundable membership fee to finance the organizing drive should be collected when the membership application is signed. An annual service charge to finance the organization should also be assessed. The most satisfactory arrangement is to provide for a checkoff to be paid to the association by the buyer. A number of States have adopted laws that require a handler, buyer, or processor to honor an assignment on proceeds that is signed by the grower. Some of the older associations have negotiated for a service charge to be paid by the buyer for procurement services rendered by the bargaining association. If some form of checkoff or an association service charge based on volume cannot be achieved, the membership agreement must provide for furnishing the association with all weight tags or other evidence of delivery to provide a basis for billing the member. Membership dues or service charges can also be determined on an acreage or square footage basis, and this too should be subject to verification. A system of voluntary payment of membership dues or service charges by members is unsatisfactory. An assignment of proceeds by a member will in most cases be honored by a buyer. It may be necessary to contact the buyers to seek some assurance that an assignment will be honored.

A checkoff system required under law has a number of advantages: it is readily collectable; it can be used as a pledge to secure a bank loan for startup expenses; and it provides a sound basis for attracting the high-quality personnel needed to manage a bargaining association.

VII. Managing And Operating A Farm Bargaining Association

The Manager

While nearly every bargaining association is organized as a cooperative, there are some differences in the type of individual required to manage a farm bargaining association as compared to an operating cooperative. A farm bargaining association does not require heavy capital investments in plants, warehouses, and the like. A farm bargaining manager must have the knack of managing all aspects of human relations, and be a superb communicator, able to communicate ideas and concepts equally well to a food company president and a farm operator. Other qualities that the manager must bring to the job include: a superior knowledge of the economics of production, processing, and handling of the commodity as well as a comprehensive knowledge of the economics of the marketplace; ability to deal with criticism, complaints, and problems in an even-handed unemotional way; creativity, innovativeness, and perseverance; and, most important of all, integrity and the confidence of the association's members and customers.

A farm bargaining association has a great opportunity to improve the economic conditions of farmers. It may also, on occasion, find itself inflicting economic loss to an industry through poor judgment or bad decisions. Therefore, the integrity of the organization is linked very closely to the standing and reputation of its manager and board of directors. Growers' production is sold to numerous buyers, each jealous of the other, each eager to seek and gain advantage. Operating in such an environment requires integrity, fair dealing, and a reputation for honesty. Members of a farm bargaining association are also, in a way,

competitors. Their confidence can be maintained only by a belief that the association's leadership will provide fair and equal treatment to each member.

Failure of bargaining associations to perform can generally be related to a record of poor or inept management. Managers of many of the more successful bargaining associations are well paid. Their salaries and perquisites should be competitive with the salaries paid to the food company executives with whom they must deal.

Selecting a Board

The directors of a farm bargaining association are usually nominated by a nominating committee in the district which the director represents. Some care should be exercised in selecting people for this position. The nominating committee should know the director's responsibilities, and the selection of nominees should be considered with those duties in mind.

A list of some of the qualifications might be as follows:

1. Is the nominee known as a good farmer with independent judgment and good faith and respected by colleagues?
2. Is the nominee able to work in harmony with other members of the board?
3. Does the nominee have experience in business and financial affairs?
4. Is the nominee known as a person of integrity, capable of making decisions to benefit the association and not for personal gain?
5. Does the nominee have a grasp of the marketing programs associated with the commodity?
6. Is the nominee prepared to give the necessary time and effort to the affairs of the association?

Responsibilities

The responsibilities of the board and the manager should be clearly spelled out and understood. In a bargaining association, the board's principal obligation is involved with establishing the prices and the terms of sale of the commodity. Every farm bargaining association board of directors reserves to itself this final decision on prices and terms. The board has other duties, however, and these include:

1. Establishing association objectives, policies, and goals.
2. Selecting the manager and deciding on the compensation and duties of that position.

3. Retaining legal counsel and auditors.
4. Approving budgets and financial plans.
5. Filling board vacancies between elections.
6. Approving employee retirement and benefit programs.
7. Designating committees of the board of directors.
8. Evaluating the performance of the management.
9. Developing long-range plans and objectives for the association.

The manager's responsibilities in a typical farm bargaining association consist of the following:

1. Under direction of the board, to plan the bargaining strategy, coordinate the bargaining activities, and negotiate with buyers to obtain the prices and terms of sale approved by the board.
2. To define management objectives, goals, and policies within the constraints of overall board-established association policies.
3. To prepare the relevant economic supply and market data upon which the board will make its decisions on price and terms of trade.
4. To plan and direct the communications with members, nonmembers, and the trade.
5. To select employees and fix their compensation.
6. To direct and supervise the activities of the employees and measure their performance.
7. To prepare budgets and marketing-bargaining plans for Board approval.

There are also a number of areas in which decisions may be shared between the board and the management. These matters depend in large part upon the working relationship between the board and the manager and the relative skills possessed by the manager and members of the board. These may include:

1. Insurance requirements.
2. Engaging professional services.
3. Employee bonding.
4. Changes in the organizational structure.
5. Employee benefit plans.
6. Investment policies.
7. Member relations.

Board-Manager Relations

The relationship between the board of directors and the management should be clearly understood. The board derives its authority from the

members and serves as the nerve center from which major decisions are transferred through the manager to the operating unit. Directors are not expected to give directions to members of the operating staff. This is often the basis for misunderstanding because the directors, in their personal farming activities, are the operators and the doers and it is sometimes hard for them to realize when they are meddling in management affairs.

The director has no executive function in the organization and legally a director has no power except at a properly convened board meeting. Failure to understand this concept is at the root of much board-management friction.

A director with special training or ability, and who has acquired an expertise in a certain area, may often gain some informal authority in the management of the cooperative. As a practical matter, such skills should be used to advantage. However, it must be borne in mind that the executive or general manager is accountable to the entire board for initiating and carrying out activities within the boundaries of authority granted by the board. The board is primarily concerned with idea decisions, and the executive is primarily concerned with the action decisions. The board decides overall objectives, policies, and goals of the association and the executive decides on matters relating to attaining those objectives and goals.

Boards of directors can make valuable managerial suggestions about policy implementation and negotiating problems. However, board participation in these areas must be regarded as opportunity rather than responsibility. Board members depend on the executive to raise the issues on which advice and counsel are sought, and a good executive will seek the advice and help of his board. The key is to remember that executive responsibility is vested in one person who is responsible to the entire board.

The directors on a bargaining association board frequently find themselves engaged in intensive bargaining among themselves over a final price decision. The final price decision may not be a unanimous one. Directors may find themselves holding views that are in conflict with the views held by the members in their districts. This is not unusual because the directors have been exposed to more information upon which they have based their opinions, while the members may not be as up to date. In such a case, the directors are faced with a decision as to whether they will vote their own convictions and conscience, or support the views of their members. Their decisions may determine their tenure

on the board. Most experienced directors caught in this dilemma will support the position which will maintain the integrity and the strength of the bargaining association.

Those seeking election to the board will sometimes campaign for a price or terms of sale which in the end is simply unobtainable. This then creates problems when the director is up for reelection. It is best for candidates not to make firm commitments when seeking directorships on a farm bargaining association board. Bargaining is essentially a business of give and take, timing, and compromise. Every farmer knows this from experience. Is there a farmer who has not said: "I should have sold earlier when the price was high," or "Had I only waited to sell, or had I only known, I would have sold on a different basis?" Farm bargaining takes much of the guesswork out of selling and tries to reach its pricing decisions based on the best and most complete information available.

A common problem in management-director relationships occurs when the board acts on a management price recommendation. The board should look to the executive to make recommendations based upon the latter's knowledge and contacts with the trade. That's what bargaining association managers are for. The board, in turn, should carefully examine the reasons and the basis for the recommendation before taking action. Individual directors on occasion will blame the manager and other directors if the decision is unpopular among the members. Such action can do serious damage to the association and its standing among the members. It may call for a vigorous defense of the action and a prompt meeting with the membership and staff to report on the facts leading up to the decision.

This is an area where district committees can be most helpful. They provide the sounding board for management and the district director. It is often much more constructive to tell an unhappy member, "I agree with you. I didn't like the results myself, but under the circumstances it was the very best decision we could make."

Bargaining association boards should guard against being "rubber-stamp" boards. Good managers appreciate a well-informed board that can intelligently evaluate management recommendations. Board members can often provide valuable insights. If the board views its responsibility mainly to vote on management recommendations and plans, it is not making an informed decision. Management recommendations, particularly on pricing matters, should be carefully evaluated. Management should be in a position to fully justify and document its recommendations. The board, in turn, should see to it that manage-

ment has access to all the information needed to document its recommendations. If economists, marketing specialists, or other special assistances are needed, they should be made available.

The Manager's Role

The manager's principal activity is devoted to learning the market behavior of the commodity. Each crop or commodity grown in the United States has its own particular marketing pattern and behavior. The forces that influence supply, demand, and market behavior for a commodity may differ substantially among commodities. Acquiring an intimate knowledge of these forces is the most important initial function of a farm bargaining association manager, whose stature and importance in the industry are related to the knowledge and expertise of the commodity. The manager should be the best informed individual available concerning the association's commodity. Such knowledge can be extremely significant in the bargaining process, particularly when it is recognized by the trade. The directors of the association can supply valuable assistance in evaluating potential supplies. Crop estimating can be improved through modern methods to enable the association to accurately estimate the crop, but beyond the production potential is a great unknown that the manager must explore and get to know.

Buying decisions are made on market intelligence and the bargaining association managers are most effective when they have as much as or more market intelligence than the buyer. The information is available from a multitude of sources, some of it good and some not so good. Information on inventories and stocks on hand, for example, can often be secured from government and trade sources. Friendly employees of the buyer will often share information on a confidential basis. Suppliers, brokers, and selling agents all have some knowledge concerning market forces that may be significant. Bargaining association managers or members of the association staff should attend trade conferences and conventions attended by the people who deal in the products made from the commodity. Trade contacts should be cultivated and trade publications subscribed to, so that the market intelligence of the association is maintained and improved. There should be an emphasis on market influences because the price negotiations will inevitably revolve around the final market of the product.

Farm bargaining association managers should be good communicators because part of their responsibility is in communicating the concerns and apprehensions of the farmer members to the buyers and

the intricacies of the market to the grower members. The manager stands between the farmer members who expect the best possible prices for the commodity and the buyers who hope to moderate their costs of raw material. The farmer members depend primarily on the manager's knowledge of the commodity and skills as a negotiator to achieve their economic goals. The buyers, under pressure from retailers and the trade and the bottom line demands of their corporations, will try to reduce their costs. The manager will often have to try to moderate the demands of both sides. A manager with a well-established integrity and who stays abreast of the industry can often satisfy both parties. A manager who fails to satisfy the members of the cooperative will seldom remain for long in that position.

The manager's role emphasizes the need for communication skills as well as an ability to get along with people. The farmer members, by and large, are hard-working people who expect the same hard work from those they employ. Farmers are also wary and suspicious because of past experiences in connection with marketing their production. However, once they are convinced of the integrity of their employees, they are loyal to a fault. They have long memories too, and will remember a mistake or an error in judgment for a long time. Farmers have pride in their independence and share it with few people. They tend to be forthright and frank, letting their feelings be known without reservation. Few bargaining association managers will have difficulty in knowing where they stand with their members. Working with farmers can be a rewarding experience for one skilled in communicating and dealing with people, and frustrating to one who has problems in this area.

Member Communications

Membership communications in a bargaining association should be constant, consistent, and understandable. Written communications, meetings, and personal contact all must be utilized fully to obtain good results. Written communications should utilize a medium to transmit both timely information and in-depth articles on the association and the industry. A members' newsletter should be written in a style that transmits timely information in a concise and rapidly readable form. The use of fillers in a newsletter should be discouraged. The information must be accurate and up to date. The newsletter should truly provide news that the members can use to better their understanding of the market and the association's position. The newsletter should never be more than four pages long. It should be sent out on a regular basis or

whenever important information is available. It is also important to test the readership to make sure that the newsletter is performing its task. Frequent surveys and spot checks can help.

A news magazine published on a monthly or quarterly basis can also be used. This provides an opportunity to deal with industry matters and personalities in the industry on an in-depth basis. Some associations pay for the cost of publication by selling advertising. However, that decision should be carefully considered, particularly if there is good coverage of the commodity by a trade journal. Advertising in the association house journal will place the association in competition with the trade journal. A trade journal will sometimes be willing to feature association stories and give editorial support to an association that is not in competition with it for advertising. A helping hand from a third party can often be very useful in maintaining a good image with the farmers.

Special bulletins and letters from the board chairman or manager can, of course, cover matters that, because of their importance, need to be highlighted. It is important to remember that any publication must be done with skill and designed to attract maximum readership. It is an expensive process, which is why frequent spot checks should be made.

Meetings

Meetings allow two-way communication between the directors and the members. Greater skill is required to hold meetings today than was the case a few years ago. Television has provided keen competition for people's attention. Unless a meeting is well planned, interesting, and informative, it may often prove to be a disaster. Careful planning should go into organizing a meeting format. Talks should be prepared in advance and be short and to the point. The time of the meeting should be established well in advance to make sure it is not in conflict with an important local event. The program should be timely and interesting. The formal meeting should start on time and end on time. The meeting place should be familiar to the members whenever possible. The setting should be conducive to a good meeting. Lights, screens, heating, and cooling should all be checked out in advance to make sure that some careless act doesn't ruin an otherwise perfectly planned affair. Many meetings have been ruined because the power or heat wasn't turned on, a main speaker didn't show, or the meeting was in conflict with the regional championship basketball game. It is advisable to prepare a meeting checklist and assign one employee with the responsibility of seeing to it that everything is fully covered.

Meetings can be divided into three types: annual meetings, area or district meetings, and local meetings. The annual meeting provides an opportunity for showcasing the organization. It is also an opportunity to secure a featured or "name" speaker, an authority on some phase of the industry. Such meetings are prized by political people who value the exposure, particularly if the meeting is a large one. It is a meeting to which allies, friends, and customers of the association can be invited. It is an opportunity to put one's best foot forward. If the meeting is large and has important speakers, it will receive media coverage for which press kits should be prepared. Annual meetings are not the place to air internal problems. Those should be dealt with at local or regional meetings where time can be set aside for participants to speak.

Future plans and goals should be the major theme at an annual meeting so that members and others look forward to the coming year. The main thrust should be upbeat, and association leaders should be featured.

The California Canning Peach Association used the annual meeting as an occasion to bring all its district advisory committee members together for a working session. The day before the annual meeting was set aside for a meeting of all the Association's district advisors. Each of the 11 districts had five elected and five appointed district advisors, whose expenses to the 1-day working session and annual meeting were paid by the association. The format for their working session was developed in consultation with the local chairmen and topics of current interest were placed on the agenda. The association staff prepared backup material and information to deal with the requested topics. The district advisors met with the manager and his staff and on some occasions directors were also invited to attend. Before the close of the meeting, the agenda provided for an executive session of the district advisors with only legal counsel present. This served to provide good communications from the districts and a means to deal with their interests or complaints. The meeting was followed by what was called an annual "Family Dinner" restricted to district advisors, directors, staff, and their wives, and special guests of the Association who had been particularly helpful during the past year. It was organized as an occasion for fun and contributed greatly to a close-knit feeling on the part of the farmer leadership of the association. The annual meeting was held the next day. This was a good way to give recognition and a sense of participation to district advisors.

Regional or district meetings are generally smaller. They provide an opportunity to report on the past year's activities of the association and to test the water for new ideas and approaches that may be used. The same basic planning must be followed for district meetings. They should be held in a convenient, pleasant setting with short, informed and well-planned talks. It is the place to use slide presentations and charts to illustrate the reports to the members. If there is a local problem, it should be met head-on by management. Management should always be prepared. Surprises are evidence of a poor job of communications. District meetings provide a chance for questions and answers. Members' inquiries should always be fully met and frankly answered. The format should be such that the members leave the meeting feeling they have received a full and honest report on association activities, and had all their questions answered.

In view of the competition from television and other sources, efforts should be made to secure maximum attendance at regional meetings. A few notices in the mail will not suffice. Where possible, every member should be called and reminded of the time and place of the meeting. Misconceptions and complaints can often be averted if the member has an opportunity to be at a district meeting.

Local meetings are those arranged through the district director or local advisory committee. These are usually much smaller and more informal. They are designed for a special purpose, such as dealing with a local complaint or problem, undertaking a membership drive, or to provide management with members' input. Part of the intelligence-gathering activity of the management covers the activities of buyers in the field. Local meetings, district advisors, and district directors provide an excellent means of developing a network of sources about the field activities of buyers which may provide an important signal of immense value in the bargaining process. Local members enjoy being included in the intelligence-gathering process in the field. If the association is facing opposition from certain companies and buyers in the field, their intelligence-gathering process can be very significant, by revealing each company's profile of behavior, which can be most helpful in the bargaining process.

Personal Contact

A third means of communication is through field representatives. A large association has need for a local or regional identity that can be served through local representatives. A field representative also fulfills a

vital role in the intelligence-gathering process, and in reflecting grower attitudes and concerns. A bargaining association has an important role in determining the gross returns of its members. Its economic importance is such that members want to feel in touch with what is going on. A field representative with a regular schedule of calls on the membership fills that need. Calls by the field representative should be brief, businesslike, and to the point. Growers resent long social visits from their employees at their expense. Field representatives should be constantly briefed and kept up to date on association activities so that their effectiveness is maintained. Field representatives can also be helpful in rendering services to members in connection with cultural and production problems. Some associations require each field representative to file a daily report showing the name of the members called on, what was discussed, and any concerns the member had. The field representative also makes frequent spot checks or surveys to ascertain member reaction to association activities or policies. This results in a constant flow of communications between management and the members and serves to prevent activities and discourage policies which would meet with member resistance. Field representatives also check on the accuracy of scales and weights and grading operations. They can also help in coordinating the harvesting.

VIII. Bargaining: Planning, Strategy, And Tactics

The Bargaining and Negotiating Process

Negotiating prices and terms of sale for farm commodities involves some of the same strategies and procedures that are associated with all other forms of negotiation. It requires careful preparation and planning, an understanding of the process, the use of strategy and tactics designed to achieve the necessary goals, and the skills to bring about a satisfactory conclusion. Farm bargaining does not enjoy the same legal power base that organized labor has, nor does it have control over supply, production behavior, or market patterns that could bring real muscle to the bargaining table. These inherent weaknesses must therefore be overcome by the use of greater negotiating skills and an understanding of the farm bargaining process, its opportunities and its limitations. Planning and preparation must be undertaken within the framework of the association's goals.

Establishing Goals

In a recent study of bargaining associations, 55 managers ranked their association's bargaining goals in order of importance.[7] Higher grower income, stable prices, and assured markets were rated 1, 2, and 3. Next in order came expanded membership, expanded markets, and higher prices. Significant is the fact that managers gave higher prices

[7]Mahlon G. Lang, *Collective Bargaining in Agricultural Product Markets: Findings of a Survey*, Station Bulletin No. 241, Dept. of Agricultural Economics, Purdue University, West Lafayette, Ind., September 1979.

such a low ranking. Net grower income is the result of many factors other than price. It can be influenced by better planning because prices and markets are known in advance. Uniform and fair quality standards and how they are determined can be significant. Such considerations as having a reliable market, receiving prompt payment, being rewarded for quality, harvest coordination, availability of long- and short-term credit at competitive terms, are all included in goals calculated to improve growers' net returns.

Goals should be determined in order of their importance and consistent with the bargaining power of the association.

Members Provide the Bargaining Power

The most significant asset that a bargaining association has is the support it receives from its members. In labor circles, this is referred to as solidarity. At the same time, one of the greatest weaknesses that an association may have is the failure of the members to support the organization. A realistic appraisal of membership support is a necessary first step in measuring the potential bargaining power of the association. Questions need to be asked such as: Will members support association strategy? Can members influence buyer decisions, and will they do so if requested? Will members resist buyers' efforts to weaken the association's position? Does the volume produced by the members amount to a significant and potentially important share of the available supply?

The degree to which the association is able to control the buyer's supply of the commodity is very important. Supply control used in this context is not necessarily the ability to withhold supplies from a buyer. It may be the fact that the members have provided the association with the authority to negotiate in their behalf, or to divert a portion of the crop to other uses. The ability of milk associations to divert milk to other markets or to manufacturing outlets is a vital factor in providing a stable base for price negotiations. The operation of a marketing order that deals with potential or actual surpluses by means of set-asides or diversion programs can be of vital assistance in bringing total marketable supplies into line with demand. Having excess supplies of a commodity hanging over price negotiations can have devastating results on the bargaining process.

The use of sanctions on the buyers is often mentioned when analyzing the bargaining power of an association. A sanction is the ability to inflict economic loss on the other party. Buyers have used sanctions for years in the form of discriminatory treatment, refusal to deal, boy-

cotting certain producers, coercion, and the like. Sanctions by an association such as refusal to deal with a certain processor, cutting off supplies, harassment, picketing, and intimidating buyers are tactics that often prove to be unproductive. They often lead to retaliation on the part of the buyer and neither side wins.

Associations can develop considerable bargaining power through their ability to lower handlers' costs through more efficient handling of the product, better quality controls, and market expansion activities. Farm bargaining associations can occasionally achieve a measure of bargaining power through the skillful exploitation of the monolithic character of a large food company.

The bargaining power of the buyer is constricted by the very existence of a farm bargaining association. The power of a buyer to select suppliers and play one against the other, to control time in price-making, to delay payments and, most of all, to determine prices unilaterally are all restricted by the presence of a farm bargaining association. Despite these constraints, however, the buyer's corporate size and franchise in the marketplace will always put the seller at a certain disadvantage at the bargaining table. The buyer knows that the ultimate pressure on the association is in having a market for the members' production. A good price for a commodity has little value to a grower without a home for the production.

Marketing orders and agreements can be effective tools in establishing a good climate for a farm bargaining association. The voluntary nature of the association often creates a situation in which the nonmember is able to reap the benefits of association efforts without paying the costs.

Marketing orders and agreements play an essential role in getting nonjoiners to share in the costs of group action from which they benefit. Such marketing order activities as establishing industry-wide grading standards, developing uniform grading and delivery procedures, developing industry statistical data on production and marketing, carrying out market expansion programs, both domestic and foreign, and devising orderly marketing programs can all be helpful. They can provide a more stable environment within which farm bargaining can be conducted, at the same time bringing benefits to the industry as a whole. However, programs carried out under a marketing order cannot substitute for the need to have strong support from members who represent a significant share of the total supply of the commodity in the area

covered by the association. Signs of instability or lukewarm membership support can have a devastating impact on negotiations.

Adequate funding is also a factor in that it signifies a degree of permanence to the association. Nonmembers will also have an impact on the bargaining process. The makeup of nonmembers is significant. If they are large and financially independent, they may be able to undercut or to support the bargaining efforts of the association and so must be taken into account in the bargaining process. Farm bargaining is a give and take process, but not as one grower described it: "We give and they take." Good bargaining involves a "give" for every "take."

Preparation and Fact Finding

Preparation and fact-finding are often as important as the negotiation process itself. Without good preparation and reliable information, even a skilled negotiator cannot perform satisfactorily. Preparation and fact-finding are also valuable in helping the board of directors to reach a sound decision. The manager of the association has the primary responsibility for assembling and coordinating the data that will be used in the negotiations.

Preparation and fact-finding are designed to save time. Working from false assumptions or on the basis of abstract convictions can be time-consuming and fruitless. Opinions should be carefully examined and verified. Both farmers and buyers will make assertions such as: "Such a price offer is outrageous," or "That price will break half the farmers in the State," or "We would have to close our plant at those prices," or "The trade would simply stop buying at those prices." Bargaining association managers have heard statements like these many times. Made without basis in fact, they have little impact. On the other hand, facts and figures developed to prove that a price is fair and reasonable, or based on cost of production studies that show that half the farmers would lose money, or some evidence that a plant would close, or the trade would stop buying, can be very persuasive.

Opinions are often based on assumptions that are no longer valid. It is easy to believe what we want to believe. We form opinions based on judgments, accusations, and statements colored by emotions. Many people try to confer immortality in their assumptions: "Once right always right." Assumptions tend to become false assumptions when they automatically become absolutes: when "I think" or "I feel" becomes "I know."

The development of sound useable data is the first step in the negotiating process. It is particularly important in the internal bargaining that precedes negotiations with the buyer. In my price negotiations with some of the Nation's leading food companies for over 25 years, I observed two recurring principles at work: first, any group of farmers, given all the facts, will inevitably arrive at a sound and reasonable conclusion; second, food company executives are used to making decisions based on good data and will respond favorably when growers can document and back their proposals.

The California Canning Peach Association (CCPA), and several other Pacific Coast associations, as a result of many years of price negotiation, developed what we called "the price book." The "price book" contained all of the pertinent data that would impinge on price negotiations: yields, production records, projection of acreage, wholesale and retail sales data, price data, production and processing cost data, just about anything that would be brought up in price discussions. Once the price book was established as reliable and accepted by the buyer, the data could be updated from year to year. The book also contained production and sales data of competitive fruits as well as general economic information, such as projections on disposable income in the United States, gross national product, expenditures on food, per capita income, retail and wholesale margins on food items, and food consumption trends. Projections of f.o.b. prices that could be expected to prevail under certain conditions of supply, demand, and market conditions were also included.

A number of California bargaining associations are indebted to the Giannini Foundation of the University of California at Berkeley for helping steer them in this direction. The Foundation annually prepares a report on "Pacific Coast Canned Fruits—FOB Price Relationships," which was the material that stimulated the association to prepare its annual price book. Dr. Harry Wellman started the series in the 1920's and Dr. Sidney Hoos and Dr. George Kuznets continued the work in recent years.

CCPA holds a fact-finding session with each of its major customers prior to formal price discussions. This practice saves a good deal of time. It is part of the negotiating process and serves to eliminate the negotiating about facts. Facts are not what are negotiated. They provide a basis for negotiation and, if properly prepared, can lead to advantageous results for both the association and the buyer.

Who Should Negotiate

A skilled and knowledgeable negotiator is an important asset in any negotiation. The negotiator is the one who takes the lead in negotiations, helps to plan, and executes the strategy. Having a single person take the lead is important. Whether the lead negotiator is an employee or a principal is not as important as having a person with skill and knowledge about the industry. Each commodity has a distinct marketing profile; it also has a rhythm of its own. Having an intimate knowledge of that profile and an almost daily contact with the market is an essential asset required of a good negotiator in addition to the skills described below and on the following page.

Farm bargaining associations use a number of different approaches to negotiation that range from an individual negotiating committee for each processor, as used by the Potato Growers of Idaho, to the single negotiator used by some of the milk producers associations. Most associations use modifications of the team approach where a certain number of association directors participate in the negotiations.

The team approach has a number of advantages: it allows wider membership participation and a pooled judgment; it presents solid support; and it can have political and public relations implications. When a team approach is used, the roles of the participants should be fully planned. Plans should be made for prearranged signals to enable the team to go into caucus if necessary. A team approach also requires a leader with experience and skill at negotiations.

The use of a single negotiator also has advantages. It frequently results in a more frank exchange of ideas and exploration of alternatives. It prevents the problem of a weaker member's answering questions in such a way as to create disagreement or leave a false impression. There is no division of responsibility, and on-the-spot decisions can be made to reach a conclusion.

No single approach will fit every situation. Some associations use a combination of the team approach and the single negotiator. The negotiations are conducted on a team basis by a "sales or bargaining committee," with final negotiations carried out by the negotiator on a one-to-one basis or two-on-two. Some farmers are superb negotiators, but others are not. While it is true that negotiation is an art, the skills can be learned. A skilled negotiator:

1. Has an open mind and is flexible.
2. Is aware of the needs of the other side as well as one's own.
3. Can quickly identify mutual goals and interests.

4. Never accuses the other side of being wrong.
5. Seldom manipulates people.
6. Is creative and imaginative, able to come up with alternative approaches.
7. Has a cooperative attitude.
8. Is a good competitor, an achiever, and has high aspirations.
9. Never sees a deal as irrevocably closed.
10. Can think clearly under stress.
11. Has analytical ability.
12. Has general practical intelligence.
13. Has personal integrity.
14. Is a good communicator.
15. Has perseverance and stamina.

If a team approach is used, the members of the team should be chosen with great care. An excellent time to judge the capabilities of the team members is during the internal bargaining that may take place among the members of the board. The negotiating team is no place for the loudest talker, the most dogmatic one, a frail person, or one who is impractical, prejudiced, confused, overanxious, changeable, timid, self-righteous, sarcastic, insensitive, crude, disloyal, dishonest, highly emotional, or suspicious. Such traits can be quickly identified and persons possessing them should be discouraged from serving on a negotiating team.

Planning Strategy

Strategy plays an important role in the negotiations and, when planning strategy, it is important to take into account the needs of the other side and how to best satisfy such needs. The common denominator of negotiation is dealing with the needs of people and their organizations. Dr. Abraham Maslow points out that the satisfaction of needs motivates nearly every type of human behavior. His classification of these needs in their order is as follows:[8]

1. (Basic) Homeostatic (Physiological)—need for food, warmth, shelter, elimination, water, sleep, sexual fulfillment.
2. Safety and security—need for feeling safe from injury, both physical and emotional.

[8]Abraham H. Maslow, *Motivation and Personality*, New York: Harper & Row, 1954, pp. 35-38.

3. Love and belonging—need to feel part of a group, need to belong to and with someone else.
4. Esteem—self-respect, feeling of personal worth, adequacy and competence.
5. Self-actualization—need to become what one is capable of being.
6. To know and understand.
7. Aesthetic.

In the negotiating process that is carried out by a farmer bargaining association, the *needs* of the organizations and the individuals must be kept in mind. Individuals tend to identify with the organizations to which they belong. They often move beyond the area of personal needs and mentally assume those of their organization. This has significance, because during the negotiation, an individual's own, perhaps most basic, needs may subordinate themselves to the needs of the company. It is possible that satisfying the need of the company or association will give deeper personal satisfaction, thus satisfying one's own basic needs. In planning strategy, the needs of the company must be carefully analyzed as well as those of the individual who is to do the negotiating. It is well to remember that if there were no needs, then there would be no reason to negotiate. When a person's more basic needs are satisfied, then the next in line takes its place. The needs and the goals of the organization and the individual will change from time to time.

A good negotiator will carefully analyze both the corporate needs and the personal needs of the negotiators on the other side. Knowing those needs is essential in planning strategy. Typical of corporate needs are the following:

1. To purchase a specific volume of product.
2. To purchase a particular quality necessary to reduce operating costs or meet a special market.
3. To have deliveries made at a specific time.
4. To meet a profit plan objective.
5. To achieve a larger share of the market.
6. To have prices that meet or exceed those of its competition, and not to be at a competitive disadvantage.
7. To increase or decrease purchases of the commodity.
8. To maintain a reputation or market position.
9. To maintain a corporate policy or goal.
10. To satisfy the head office.

Some typical needs of a negotiator for the buyer may include:

1. To be recognized by the company to achieve advancement.

2. To satisfy "the boss."
3. To purchase a volume of the commodity at a price necessary to satisfy corporate goals.
4. To satisfy a feeling of importance.
5. To keep one's job, needing assurance because of fear.
6. To show superior knowledge and command.
7. To be liked and admired.
8. To impress business associates.
9. To impress colleagues by demonstrating professional skills.

When planning strategy, the needs of the association, the buyer, and the individuals who are negotiating must be recognized and understood. Good strategy, for example, may be to work for the needs of the buyer who may require a change in specifications or quantity. Knowing this, and negotiating to achieve such a requirement, can be the basis for successful negotiation of the association's needs. The negotiator for the other side may need special recognition to obtain advancement. Good bargaining strategy should take this into account, perhaps meeting this need and at the same time advancing the association's goals. By letting the association's needs be known, a good negotiator can sometimes cause the other side to work for them.

Working against the needs of the other side can often lead to negotiating problems. For example, if the association needs to solidify member support behind a position it has taken, and the other side deliberately frustrates this need by circulating false rumors, the negotiating attitude of the association would reflect the frustration. The same thing is true if the association frustrates the needs of the buyer by circulating false stories. The bargaining table is where the action is, and activities deliberately calculated to threaten the needs of the other side make negotiations more difficult. This is not to say that if the buyer requires a low price that negotiating strategy would attempt to work for that need. It means that the low price should be measured against what the real need is, such as greater volume, better quality, more timely deliveries, and so forth. Such actions may achieve savings that are equal to lower prices. Naturally, there is a price associated with such accommodations and that price too should be negotiated. If the association members need to generate higher prices, they may really want better net returns, which may be achieved by better handling, delivery, or a change in grade standards or sampling procedures. Often the strategy may call for working for the needs of both parties.

Once the needs are understood, specific seasonal goals should be established. They may be both short term and long term and both should be addressed. For example, if the association's goal is to achieve an "evergreen" supply contract with a major buyer, the short-term goals with respect to that buyer should be established with that objective in mind. If a long-term goal is to enter into long-term supply contracts under formula pricing, then the short-term goals should be tailored to that objective.

What People Strive For

People and their organizations have a number of basic goals that they strive for. It is well to review these when planning strategy. Some typical goals:

Money. This is a goal that most individuals and organizations strive for, but it is not the only one. Farmers provide a good example. They like money, but not at the expense of losing control of their operations and their independence. Many people enjoy having a sense of achievement, and use money as a measure of this achievement.

Power and Competence. Men and their organizations do seek power. Farm bargaining associations want some measure of power in deciding the prices of their members' commodities. The organizations and individuals with whom they deal seek the power to establish values and terms of trade that will protect their investment and their ability to make a profit.

Knowledge. Knowledge of the factors that influence the prices of their commodities is a basic goal of every farm bargaining association. The buyers, too, must make significant decisions based on their mastery of the knowledge of the marketplace.

Achievement. Men and organizations set specific goals for themselves. The association may set a certain goal for price and terms of trade, and the achievement of that goal becomes a factor in negotiations. The same is true of the buyer. The profit goal for a particular group may be established based on certain raw product costs, and the achievement of that goal is bound to be a factor in negotiations with the association. Good negotiators will tend to aspire to high goals of achievement. Good negotiators are often very competitive and have a need for such high achievement. An association with an achievement-oriented negotiator must arrive at a realistic aspiration level with its own negotiator. The achievement needs of the buyer must also be evaluated in preparing the goals.

Excitement and Curiosity. Everyone has curiosity and a desire for excitement—some more than others. There is a certain excitement in the negotiating process. Negotiators have a genuine curiosity about the other side. It is a part of the negotiation process.

Social. Social goals and personal recognition are also important to many people. The need to belong to clubs and organizations, and the standing in such groups, is an important goal to some. Some farmers have a strong need to belong to, and to be the recognized leaders of, a farmer organization. Buyers, too, belong to trade organizations, service clubs, and social clubs. Their standing in such clubs is important to their self-esteem.

Recognition and Status. Some farm bargaining associations give their manager the title of president to give him added stature, particularly if he acts as a negotiator for the organization. Buyers, too, enjoy certain recognition. A buyer may be a corporate vice-president and be entitled to a larger automobile or a larger office. Farm bargaining associations are often faced with matching for their own employees the status symbols of the buyers. Status and recognition play an important role in understanding goals.

Not all bargaining associations are aware of the importance of status and recognition for their own representatives. There is an inherent disadvantage when an association negotiator must carry on negotiations with an opposite who is better paid, has more perquisites, and a higher title. One-upmanship is often practiced in the business world. The association's negotiator should not be given a handicap when negotiations commence. The stakes are often very high with millions of dollars riding on the outcome. What may mean a thousand dollars to an average member could mean many millions to the buyer and under such circumstances, the negotiator for the association should be afforded the status necessary to negotiate as an equal.

Security and Risk Avoidance. New associations have a problem with buyers who are unwilling to take a risk in dealing with a relatively unknown association. Any uncertainty should be taken into account. The farm bargaining association members, for example, may be hesitant about dealing with a new and unknown buyer.

Congruence. Men who have been successful and who have enjoyed power and influence find poor earnings almost impossible to accept. This is one of the forces that has led to the increase in farm bargaining. It may also be a factor with a buyer whose profit record has been poor in the past years.

The Bottom Line

All of these are goals that individuals strive for—and should be taken into account in planning strategy. Buyers will not always reveal their real aims and those of their organizations. Finding out those aims takes much hard work and persistent diligence on the part of the farm bargaining association management.

How does the association perceive the buyers' goals? How do the buyers perceive their own goals? How do the buyers want the association to perceive their goals? To make this analysis, the association will have to make certain assumptions and these assumptions must be based on facts. The key consideration is the accuracy of the perception or assumption.

How does the association perceive its own goals? How does the association believe the buyers perceive their goals? How does the association want the buyers to perceive its goals?

To an experienced bargaining association, the answers to these questions are the real bottom line. One of the problems encountered in the process of identifying these perceptions in a bargaining association is the frequent tendency on the part of board members to inadvertently telegraph the association's bottom line to the buyers. It is easy to understand how this can happen. The association, eager to encourage maximum grower participation, permits a frank exchange of views and reaches a consensus in a democratic fashion. Skillful buyers, however, have a way of gleaning pertinent information through sources who may never know they have been a conduit. This fact may not bother some members, but there are buyers who are achievers and competitors who would delight in shaving the association's bottom line.

The California Canning Peach Association had an interesting experience with a leak from an unexpected source one year. The Association's office was on the same floor as that of a major chainstore buyer. The board of directors had just adjourned its meeting, at which a consensus was reached after long internal negotiations. Members of the board were discussing their position in the men's room and the elevator after the meeting. The chainstore buyer, who was unknown to the farmers, was also in the men's room, on the elevator, and in the foyer of the building. He was delighted to share his knowledge with his cannery suppliers, who couldn't understand how he obtained his information.

Some bargaining associations have dealt with the problem by not taking a firm position at a board meeting, but designating a smaller committee to adopt a position based on discussions at the board meeting.

Final approval, however, is still vested in the board. This procedure requires much confidence in the ability of the negotiators to read the board's position, but the policy works.

Values Will Not Change

Most people's actions are predictable. The best way to predict a person's behavior is to look at that person's history. A careful study of a buyer's habits, temperament, opinions, and values will reveal useful patterns. Our personality traits tend to guide our behavior in line with our major intentions. A buyer will react to frustration and stress in regular patterns. Some will make excuses, bury facts, forget, blame others, or become hostile or emotional under stress. Others will react with humor and creativity. If one's reactions of yesterday are known, a sounder appraisal of that person's behavior can be made today.

A person who has a history of tricky dealing can be expected to continue to use the tactic. A tightwad will continue to be a tightwad. A risk taker will take risks and a buyer who places great value on status will go on seeking status. People generally act in what they perceive to be their self-interest and see such action as very rational behavior. Few people admit to failure or mistakes. From their point of view such behavior makes sense, even if others believe they are wrong. People will behave in strange ways to protect or enlarge a self-image. They will follow patterns which they believe were successful before from their point of view.

A good negotiator asks questions, observes, listens, speaks rarely and then in nonjudgmental terms. With the negotiator's ability to listen patiently, a buyer's self-image will emerge. A prediction of a behavior pattern is still guesswork, but diligent effort will be rewarded with signals about the buyer's personality that can be most helpful in planning strategy. Association managers would also be well advised to check their perceptions about their own behavior and what kinds of signals they send out. An association negotiator with a history of behavior patterns that leave a negative impact would be well advised to seek other employment.

Maximizing the Negotiation Effort

Tactics.

After ascertaining the facts, checking assumptions and perceptions, analyzing the association's goals and those of the buyer, and predicting

the buyer's reaction, the final strategy is ready to be considered. These questions should be asked:

1. *How can the buyer and the association benefit by working for the achievement of each other's needs and goals?* For example, the association might propose a quality-incentive program that will reduce the buyer's costs and improve the quality output, resulting in increased purchases and sales of the product. The California Canning Peach Association negotiated a quality-incentive program that satisfied the needs of the quality producer, increased the case yield and quality of the pack, and improved their plant's performance.

2. *How can both sides benefit if the association actively works to achieve the buyer's goals?* For example, planting and harvesting can be scheduled to maximize plant utilization. The California Tomato Growers Association inaugurated a series of premium payments for tomatoes delivered early in the season and late in the season, thereby extending the season and increasing plant capacities. The California Canning Peach Association proposed a sliding scale of prices related to volume pack, thus removing the fear of paying a high price for a large volume. This also permitted better pack and profit planning.

In another example, the association could offer to take responsibility for procurement, transport, and grower payments, thus reducing the buyer's costs. Associations of milk producers have assumed these burdens and made it possible to supply bottlers with the exact quantity and grade of milk needed for a bottler's customers.

3. *How can the association and the buyer benefit by the association's giving up some individual or joint goals in favor of others?* An example would be giving up firm prices for a formula price based on an index of costs. The California Tomato Growers have proposed entering into early contracting arrangements by adopting a fixed price adjusted to inflation by an index factor, thus giving growers a chance to plan their operations at an early date and processors to make their pack and profit projections on known volume and identifiable variables.

All of these are positive approaches to farm bargaining and should be carefully examined in planning strategy. There are other strategies that can also be employed.

Timing.

The time when negotiations take place is an important part of strategy planning. The timing of negotiations can have a significant impact on the results, particularly where perishable commodities are

involved. Planting time, for example, puts pressure on both the buyer and the association. The buyer wants to be assured of supplies from reliable suppliers and the producers should know so that they can make their farming plans. Advance planning may be mutually advantageous to both parties.

Timing also should be taken into account when the buyers prepare their annual processing and marketing plans, and when the profit plans are made. Associations faced with profit plans made by the executives of the buyer's company find them extremely hard to change. Pack budgets, marketing plans, and profit plans are often the end result of much internal bargaining on the part of the buyer. Once agreements have been made between the departments of production, processing, financing, and marketing, changing those plans at a later date to accommodate a bargaining association simply isn't easy to accomplish. Knowing when and how profit planning is carried out by a major customer is an important consideration in timing the negotiations. This information is not difficult to obtain. Knowing the problems of the customers can provide valuable insights in planning strategy.

Priorities.

Establishing priority is a vital part of strategy planning. Good strategy is to negotiate the nonprice terms before getting into price. Nonprice terms generally include grade standards, container handling, hauling and transport, services to be rendered, the form of price (i.e., sliding scale tied to volume, base price adjusted to an industry price). When too many issues are on the table, there is a tendency to trade off one issue for another with a result that may prove unsatisfactory to both sides. When grade standards and handling costs are known and established, price agreement can be more easily arrived at. This is not to say that each of the nonprice terms does not have a value. However, having reached agreement on those nonprice terms, their value can then be incorporated into the final price negotiations. It is when they are on the table and not resolved that they are subject to being traded off. Of course, this strategy can work both ways.

Farm bargaining associations generally bargain with more than one customer, and each one on an individual basis. There are legal restraints that make it impossible for the buyers of a commodity to meet as a group with a bargaining association to establish prices and terms of sale. Buyers cannot act together, either with or without an association. Having five or six issues on the table with each different buyer can lead

to difficult compromises. There is value in negotiating nonprice terms in advance of the final negotiation because in the process both parties can explore mutually advantageous alternatives.

Starting Point.

The starting point for negotiations is also a part of strategy planning. Associations using a contract of sale that contains prior agreement on terms and conditions may find such a document a good starting point. It is natural to commence with the existing document. On the matter of price, negotiation will nearly always be based on the last price negotiation. If the price favored the buyer, he wants to commence on that basis. If the price favored the association, that makes the starting place for their negotiations. The familiar and the known are always convenient starting points. Precedent and the status quo are important factors in strategy planning. We may not be happy with things as they are, but if a pattern has been established, we are prone to give it legitimacy. A contract, for example, may contain some undesirable provisions, but also several desirable provisions that could be lost if the contract terms are opened up. Proposed changes in well-established terms can also bring on a full review of the entire document. One bargaining association that had operated for years on the same form of contract proposed some changes to bring it up to date. This led to a full-blown review of the entire contract with lawyers from a dozen firms all seeking changes in the standard contract. This resulted in long delays in reaching final settlement: another reason why nonprice terms should be negotiated and agreed upon in advance of the final negotiations.

Prudence.

Prudence in bargaining procedures will have an influence in strategy planning. Any change in procedures or documents that have been accepted by both sides over a period of time should be carefully planned in advance. People don't like surprises, particularly if they require additional work. If changes are to be made, they are best entered into gradually so as not to raise suspicions and concerns. Unless a sudden change in procedure is a tactical move, it is well not to cause the buyer to ask, "I wonder why they did that?"

Negotiate in a Good Location.

Where to negotiate should also be part of strategy planning. It is generally believed that there is an advantage in bargaining on one's own

turf. The home team is generally believed to have an advantage. If negotiation can't take place on one's own turf, it may be well to consider a neutral place with a good environment. An example of a poor location: The California Canning Peach Association planned to hold a board of directors meeting at a San Francisco hotel. When the directors arrived, they found that the hotel had failed to book a room for the meeting, and they were accommodated in a room that was a night club bar in the evening. The acoustics were poor; the room was noisy; and the decor was anything but harmonious and conducive to careful deliberations. Discussions were difficult to hear; the surroundings were unfamiliar and unsuitable for a business meeting; those present felt uncomfortable; tempers became short, and some emotions flared. Needless to say, the meeting was a shambles and nothing was accomplished. The meeting place itself had much to do with the poor results of the meeting.

People are influenced by their surroundings. Price negotiations should always take place in a quiet, comfortable room with harmonious colors and a minimum of distraction. If the conference is a long one, accommodations should be made available for caucuses. Coffee and soft drinks should be made available to the participants.

Negotiating

Farm bargaining associations carry out price negotiations in a manner suited to the environment within which they operate. Many milk producer associations no longer are involved in long negotiation sessions with distributors and bottlers. Minimum prices and minimum terms of trade are arrived at through the Federal milk marketing order in the area in which they operate. Over-order prices for fluid milk and products are modified and changed from time to time based on the demand for manufacturing milk. There is constant communication between the association officials and the buyers so that price changes occur after much discussion and with knowledge of the facts. There is precedent and experience to go by and both buyer and seller feel comfortable with the procedure. This was not always so. Milk producers had many tough bargaining sessions before they came to the rather institutionalized procedures now being used.

There is no one perfect way for price negotiations to take place. The procedure calls for many skills and much understanding. Some associations negotiate in a very formal manner; others bargain in an informal way. Some negotiations involve many people, others just a few. The

negotiating procedure in each case seems to have a pattern that is influenced by the market for the commodity, the relative strength of the buyer and the seller, the personality of the people in the industry, and the experience of the association. Among the older and more experienced associations, a well-established pattern of procedure prevails that has gained credibility and acceptance by both parties.

Parties to labor negotiations usually observe certain rituals that have been described as a three-act play. In the first act, both parties behave in an aggressive fashion, making strong demands and staking out firm positions. Much of the rhetoric is designed to advise the rank and file of the hard stand taken by the other side. The second act is involved with hard bargaining. Here each side searches for a compromise. The retreats from sham positions are slow and deliberate, and each side listens for subtle signs of concession. It is here where various tactics are employed, and behavior becomes undercertain as each side seems to gain advantage by delay, or confusion, or resistance. Each side tests the other. The last act finds both sides seeking to find the last point of resistance. Here is where a crisis often leads to settlement. It is also in the last act that the negotiator's most important role—that of keeping the negotiations on track to final resolution—becomes an imperative.

Farm bargaining negotiations also have a certain ritual. Some of the activities parallel the labor negotiations model. Certainly, some initial aggressive behavior lets both sides know that their interests are being pursued and the difficulties they are facing with the other side. The aggressiveness is usually followed by some retreat from earlier positions and a search for compromise. In fact, the business of farm bargaining has much in common with negotiations in other fields, whether in labor, industry, real estate, and so forth. Each negotiation activity is tailored to fit the needs of a particular commodity or industry. The strategy and tactics used by each side can be observed and studied. Here are a few examples of tactics and strategy employed in farm bargaining.

Patience involves the maturity of being able to wait out an agreement in exchange for the expectation of gaining more in the future. This is used by both sides. It can be used, for example, if total supplies appear to be less than anticipated, causing an increase in value. It may be used if excess supplies seem to be causing a softness in the market. There are other examples. Sometimes the negotiators are only out to gain time until the values have adjusted up or down.

Deadline is often used in negotiations. Buyers use it as a means of precipitating a decision by fixing a date by which time an offer will be withdrawn. Associations may use it, too, to fix a time within which a response is expected. It is a good tactic to use to induce a decision or a response.

Fait Accompli is a risky strategy in commodity negotiations because it demands an action against the other side, and then waiting to see how the other side responds. A typical example would be where a buyer closes a plant or a receiving facility, or terminates a relationship with an important member. An association would use it by diverting product to another market without consultation. Since both sides can use this tactic, the consequences should be carefully considered before it is used.

Surprise involves a sudden shift in method of approach. It is usually dramatic and drastic, like raising the voice and walking out of a negotiating session. This tactic often doesn't work. In commodity negotiations, with participants often being the same people from one year to the next, the tactic is easily recognized after being used two or three times.

Association involves associating one's goals with the approval of an individual or organization that has influence and standing with the other side. Associations have used this tactic by referring to approval by a government agency or by another buyer. Buyers have used the same tactic by referring to approval of their position by a large producer or an important member of another buyer.

Many Issues at The Table involves having a number of issues on the table and trading off—making concessions on one issue to gain another. Buyers will frequently use this tactic by appearing to give concession on noncostly items in order to gain on the costly ones. Associations have also used the tactic, making concessions on unimportant issues to gain on the more important ones. In using this tactic, it is important to make sure that the assumption about what is important and not important is correct. Buyers have sometimes used this tactic when a nonprice term was of great importance to one or two members of the negotiating team, thus creating problems for the other side.

The Salami Approach involves taking a small slice at a time. This is often used by associations to achieve their long-range goals, asking for and achieving a small victory that in itself is not of great consequence. Buyers, too, use the same tactic in changing handling or grading standards. It is easy to give up a little bit at a time. However, the slices, when added together, can amount to a significant gain or concession.

Bribery and Sweetheart Deals deserve mention because they have been widely used by buyers in the form of special concessions to members and to nonmembers of the association. The most common of these are special bonuses, loans or payments for services not performed, and outright cash gifts. The tactic creates a special problem for bargaining associations, because such practices are generally known in an industry and arouse suspicions and mistrust among farmers.

Limited Authority involves restricting the authority of the negotiators to make a final decision. This tactic is commonly used by both the associations and the buyers. Few association boards will relinquish their decisionmaking authority to a negotiator, although in most cases a good negotiator knows the board's position. This method is an excellent vehicle to test out new approaches and suggest compromises that are subject to final approval. Buyers use the same tactic for the same purpose.

Question and Answer involves the use of appropriate questions posed at the right time, the purpose of which is to ascertain the assumptions and learn something about the intentions and sense of values of the other side. Even when a response is negative, the answer may give some insights not otherwise known. A question should never be designed to show how smart is the negotiator or how stupid is the buyer. Questions designed to serve an ego can be self-defeating. Associations and buyers both use this tactic. The answers should always be carefully framed, responsive, and designed to achieve the association's goals.

Threats of withdrawal of a favor or the infliction of punishment as a sanction are also sometimes used. A threat should never be used unless the party has the ability to enforce the threatened action and intends to follow through. It should be remembered that threats can induce retaliation. Unless beneficial results can be obtained, the threat should never be used; and only when these three considerations are present:

1. The threat can be carried out successfully.
2. The threat has a better than 60-percent chance of success.
3. All of the risks and costs are well known. How a threat is delivered can also be significant. Rather than an assertive statement like, "If the desired action isn't taken, a sanction will be applied at once," a diplomatic statement like, "Without the desired action, we will be forced to consider moves that may prove to be unsatisfactory to both sides," will give the same signal, but will be less likely to elicit an emotional response.

Associations have resorted to threats on several occasions, particularly in connection with legal action over buyers' unfair buying practices.

Associations have also threatened to stop deliveries in order to stop a plant or to use pickets.

Buyers have used threats involving legal action, plant closing, bypassing acreage, and changing buying patterns. The threatened party is often forced to respond to a threat in order to remove the intimidation that a threat implies. If the tactic of using threats works once, it is bound to be used again and again until the threat is challenged.

Reading and Sending Signals, both verbal and nonverbal, is a necessary part of the negotiation. There may be, and often are, hidden meanings in conversations in the bargaining process. Being able to read and send these signals is an important skill of good negotiators. Nonverbal communications are not always as easily controlled as are verbal communications. Nonverbal signals are expressed in everyday living, and often the nonverbal signal is more accurate than the verbal message. People will often express their feelings in a nonverbal way. To read such signals, one must consider the environment and the time at which the message is given. Some of the nonverbal emotional signals that most people can read are: open or suspicious, reassuring or uncertain, aggressive or confident. When nonverbal signals are combined with verbal communication, we can conclude, for example, that a person is cooperative, honest, holding back, protective, uncertain, and so forth. Negotiators learn to listen and watch for signals that can tell them much about the person they are dealing with. Good signal reading can indicate the need to change an approach or reveal hidden motivations, feelings, or needs. Nonverbal signals can often by compared with verbal communication to determine the accuracy and meaning of the spoken word.

There are some excellent books on body language which negotiators should read. Some of the simpler gestures which the author has learned to identify are: Arms folded together across the chest is generally a defensive or protective posture. Sitting forward and leaning toward one is an aggressive posture. Legs draped over the side of a chair is an indifferent posture. Lack of eye contact may mean a lack of interest or a defensive gesture: hands on hips—a waiting posture. There are many more. Careful observations will enrich the negotiator's ability to read people. Being aware of the revealing nature of gestures, postures, and facial expressions will also help negotiators understand their own. A word of warning: It takes a consummate actor to use body language to communicate feelings that one may not have. People will distrust one who uses nonverbal communication to convey something that person

does not feel. If one wants to change one's body language, it is best done by changing how one feels.

False talk is another form of communication that a good negotiator needs to understand. False talk occurs when the words do not convey what is being said. For instance, a statement like: "The price should be in the area of $100," may really mean, "I am not prepared to tell you the price." Prefacing a sentence with "Honestly" or "To tell the truth" when the question of honesty is not an issue, may mean the exact opposite. Phrases like, "Don't worry" or "I'll do the best I can," may really mean the opposite. When a buyer uses the words, "We are going to . . .", he may really be trying to put some distance between the two parties. "It's none of my business, but . . ." may really mean "It is some of my business and. . . ." False talk is a part of the negotiating business and should be understood, because the most essential part of the process is being able to communicate—both ways.

Stalemate, the inability to come to an agreement, can be handled by a number of different approaches, all with some measure of success. Essentially it is the degree of interest that the parties have in coming to a decision that will hasten the conclusion. Some of the west coast fruit bargaining associations have for a number of years operated under a "reasonable price" provision in their contract of sale with processors. Some associations have provisions for mediation, while others have provided for arbitration, either using a panel of arbitrators or "last-offer arbitration." The arguments that have been used against mediation and arbitration generally are that it is very difficult to find a person who is unbiased and knowledgeable to act as a mediator or arbitrator. The possibility of mediation and arbitration induces some parties to negotiate in such a manner as to create a favorable position for mediation or arbitration. For example, a negotiator might name higher than expected prices in anticipation of a compromise, or a splitting of the difference.

Reasonable Price contracts can be drawn to carry a provision like the following:

> The buyer agrees to pay to the association and the association agrees to accept for all the commodity delivered to the buyer by the association or its members a reasonable price. The term "reasonable price" as used herein means a reasonable price for each variety and grade of the commodity covered by this contract. . . . The said "reasonable price" shall be determined by the buyer and the association by agreement prior to _____. In the event that the "reasonable price" is not so determined by agreement of the parties, it shall be determined as set forth in the Uniform Commercial Code of the state (reference to the code and section).

Many States have in their commercial code a provision for determining price in the absence of an agreement, and the purpose of this approach is to use this section of the commercial code. It is contemplated that, in the event of a stalemate, the parties can go to court and have the court make the decision as to what would be a reasonable price under the circumstances that would prevail. This provision tends to cause the parties to seek a resolution because of the fears of long delays in the court process and the costs that might be involved. No case involving a price that I am aware of has ever been settled by the courts. The California Canning Pear Association did start action on one occasion, but settlement was reached before the action was concluded.

Power

Association members like to talk about achieving power and using it. Farmers have increasingly seen the buying power of the large food companies, and have seen that power not always used wisely. Bargaining power is the ability to influence the behavior of the other side without making a concession. Using power as a tactic in negotiations is not uncommon, but before it is used by a farm bargaining association, it should be understood. The first step is to ascertain the relative power of the association and the buyer.

Power is always relative. Rarely, if ever, does the association or the buyer enjoy complete power. For every power move, the other side has some offsetting move. For example, the power of an association to restrict the total supplies of a buyer may be met by a plant closure or legal action.

Power may be real or apparent. It's how the power is perceived that is important. If a buying company believes it will lose preferred suppliers, the buyer may be influenced, even if no such move was contemplated. The association may believe that the buyer will acquire its supplies from other sources than the association when, in fact, there was no such intention.

Power may be exerted without action. If an association or a buyer believes a move may be met by a lawsuit, it may choose not to make the move, even though such legal action was not actually contemplated.

Power is limited. Laws restrict the actions that an association or a buyer may take. Likewise, ethical standards, hope for good future relations, and competitive problems may tend to limit the use of power.

Power exists only to the extent that it is accepted. An association that refuses to be intimidated by threats or exploitation on the part of a

buyer cannot be exploited and will not be victimized. The same is true for a buyer.

The ends of power cannot be separated from the means. An association cannot develop good relations with the buyer by forcing it to act. A buyer can also not expect to develop loyal farmer suppliers by misuse of power over the farmer's association.

The use of power always entails cost and risk. The costs and risks involved in the use of power should be very carefully analyzed.

Power relationships change over time. The continuing growth in the number of successful farm bargaining associations is evidence of a change in the relationship of power.

Mediation and Arbitration

Under mediation, a third party is brought in to identify potential areas of compromise. A skilled mediator has the ability to suggest compromises not previously considered, provide moral suasion, and reduce tensions. A mediator may be sought in the hope that outlandish demands by one of the parties may be brought under some pressure to compromise. One of the parties may seek mediation because it feels the other side is unreasonable. Mediation may also provide a means for bringing buyers together. In some States, the Director of Agriculture is authorized to act as a mediator in cases involving disputes over the prices and terms of sale of agricultural commodities. When requested to do so by both parties, the Director can offer to mediate and has a unique opportunity to bring the buyers together. The Director is in a position to suggest terms of trade that will treat all of the buyers equitably. Buyers generally will seek to avoid any agreement that puts them at a competitive disadvantage with other buyers. They cannot join those competitors to arrive at a joint offer because Section 1 of the Sherman Act prohibits such activity. The State mediator provides a means of circumventing this obstacle without exposure to the antitrust laws. The California Canning Peach Association used this approach on one occasion and the mediator split the differences between the parties. The association did not use that approach again because of the tendency of the parties to make offers and negotiate in anticipation of mediation that might attempt to split the difference.

Arbitration provides a means of resolving disputes between bargaining parties in order to maintain the flow of goods through normal channels. There are different ways to provide for arbitration. The Michigan Agricultural Marketing and Bargaining Act has a provision for com-

pulsory, binding arbitration. The act provides that the association and handlers, which at the beginning of the marketing period have not arrived at an agreement, will submit their final offers for binding, last-offer arbitration to a joint settlement committee made up of one representative selected by the handler, one selected by the association, and a third person who is the chairperson. The third individual is selected by the other two members, or, if there is no agreement, from a list of five persons identified by the Agricultural Marketing and Bargaining Board as "knowledgeable in agriculture" from which each party can strike two names.

The Michigan provision is significant because it limits the arbitrators to choose from one of the final last offers. The result has been that both sides tend to make their final offers sufficiently reasonable to be persuasive to the chairperson.

Several associations provide for arbitration in their contracts, and the method of selection is negotiated when the contract is signed. The problem, of course, is to find an arbitrator who is both knowledgeable and unbiased. A three person panel with two partisan arbitrators and one neutral merely transfers the discussions to a smaller group and leaves the final decision largely in the hands of the neutral arbitrator. Most associations see arbitration as evidence of a failure in the negotiating process rather than as a part of the bargaining effort.

Operating Cooperatives

On the west coast, some commodities are processed and marketed principally by cooperatives. For canned Bartlett pears and canned apricots, the operating co-ops market more than half of the production. This growth in the share of marketing activity going to the cooperatives has been gradual over a period of years. The result is that the price-making negotiations with the cash buyers represent an ever smaller portion of the entire crop. This situation has raised some concerns among proprietary companies, the bargaining co-ops, and the operating co-ops.

Unique, perhaps, to the California situation is the single-pool method of operation used by most operating co-ops. All the raw products furnished by the members are placed in a single pool at the established market value for each year. The established market value has, for these commodities, been established by the bargaining associations as a result of their negotiations with the proprietary companies. Over the years, many of the members of the operating co-ops joined the bargaining

co-ops because they were interested in the ability of the bargaining association to stabilize prices and to realize the highest prices that could be justified for the commodity in each marketing year. The interest was generated because, under the single-pool method of operation, each member of the operating co-op is allocated the margins earned by the co-op on the basis of the value of the products that member delivered during the year. The higher the established value, the greater would be the member's share of the margins.

The bargaining associations do not negotiate with the operating co-ops, but discussions take place each season with the management of the operating co-ops, to gain their perspectives on the market for the product during the coming year. Such discussions are regarded by both parties as being helpful in attaining the "right" price for the commodity. This arrangement also benefits the proprietary companies. The fact that the operating co-ops with which they compete use the same value for raw products as are used in their operations creates a more orderly market.

A single-pool operation based on established values is also important for the co-op, particularly one that handles many products. Margins can be allocated on a fair basis for all the members, and the opportunity for one commodity to dominate the pricing of the other commodities is averted.

If the operating cooperative were to change to a multipool form of operation where each commodity would stand on its own, members would stand to lose the advantages of a single pool which tends to level off the peaks and valleys of grower prices that often characterize individual commodities. Cost allocation is also a problem in multipool operations. Proprietary companies with multiple crops operate like a single-pool cooperative in that their earnings are based on the results of handling many commodities. Economies of scale and the use of the same facilities for many crops keep operating costs in line.

At this time, there is no well-established institutional mechanism, that I am aware of, to actually bargain with an operating cooperative except for the informal methods used in California.

An interesting rationale expressed by many farmers who are members of both a bargaining association and an operating cooperative is their belief that management performance of the operating cooperative can be judged more accurately when the transfer prices used for raw products are the same as the prices arrived at by bargaining with commercial buyers. When operating cooperative managers are paid based on the

returns above commercial prices, growers are fearful that transfer prices may be depressed if bargaining does not take place.

Operating cooperatives that actually enter into the cash market may need to bargain with a bargaining association in order to secure the needed supplies. Such an action tends to establish the transfer price used for the cooperative member's production.

There are many arguments put forth that farmers should not have to bargain with themselves. This may hold true with respect to an operating cooperative that handles but a single commodity and where grower returns are geared directly to the selling prices of the finished commodity. In such cases, the cooperative must compete with commercial handlers to keep its grower-suppliers, unless there is a management compensation arrangement that could create an incentive to keep grower prices low.

Where two or more cooperatives compete in the same market with the same products, a bargaining association may be needed to prevent price competition that uses low raw product costs to gain market position.

The role of the bargaining association and its relationships with operating cooperatives may differ depending on the circumstances in each case. A grower's dual membership in both a bargaining association and a canning cooperative is typical of California. The experience in most cases is that the membership on the board of directors is predominantly noncooperative producers whose production is directly involved in the negotiating process with the cash buyers of the commodity.

When the role of the bargaining association in an industry has been established as that of achieving fair and reasonable prices that are geared to the market, it should have a common goal with an operating cooperative and an institutional arrangement for negotiating industry prices may come about. When the basic goals of fair and reasonable grower returns are not the same, then there may be problems.

A bargaining cooperative whose board members market their production through an operating cooperative must exercise great care that its commercial customers are treated in an even-handed and fair manner. Each buyer negotiating or dealing with a bargaining association for the same commodity competes with each other buyer. Great care must be taken that no single buyer or cooperative has the slightest advantage over the other in its dealings with the bargaining association. Failure to observe this basic rule can destroy the credibility of the bargaining association and interfere with attaining the association's objectives. This

is a particularly delicate matter whenever cooperative members with dual membership serve on a bargaining association's board of directors.

Final Decision Making

Final approval of the association's price position is made by a board of directors, which may often consist of a large number of farmers. This decisionmaking process involves considerable bargaining among the members of the board of directors. The manager of the association is frequently a mediator among the members of the board. The compromises that are reached by the members of the board are sometimes rather fragile, which may restrict the flexibility needed in the bargaining process. The decisionmaking process on the part of the buyers will generally follow corporate procedures. One or two major buyers often make a decision for the industry, and it is with these buyers that the association will have its most intense negotiations.

Where possible, the board should give its negotiators some flexibility, or at least an indication that there may be some give and take, which is the basic part of negotiations. Board members must bear in mind that most large food companies work on a system of profit centers. The size and scope and timing will vary from company to company. Long before the harvest, pack or volume budgets are established. Cost inputs for supplies, direct labor, indirect labor, overheads, advertising and finance costs are projected for the season. The cost of the commodity is also projected. From these projections, contracts for raw materials and supplies are made, and transportation and financing are arranged. Finally, selling prices are projected. The budgets and projections that are made form the basis for the profit plan. The profit center—regional, local, or company-wide—rewards the executive who meets or operates below the budget and projections. The savings realized contribute to corporate profits and the executives with a good record not only enhance their own income, but are among those chosen for advancement. If bargaining takes place during the time that budgets and projections are made, the buyer may have more flexibility. Once a profit plan has been established, buyer positions are often locked in.

The system of profit centers makes it necessary for the board of directors to consider the best timing for negotiations. Flexibility and timing are often the essential lubricants that lead to smooth negotiations for a mutually agreeable pricing arrangement.

IX. The Future Of Farm Bargaining

The interest in and the need for farm bargaining have been manifest for over 100 years. There is no evidence that farmers or the marketing system in which they operate will change in such a way that farmers will lose interest in seeking some measure of influence in the marketplace to protect and enhance their economic welfare. The economic climate for agriculture in the future will surely respond to the trends that have characterized developments of the past decade. Farms are larger, and farmers are better educated and are better managers of the business aspect of farming. Farming has always been capital intensive, and is becoming more so. Operating costs as a percentage of gross dollar sales are greater, thus placing a premium on good management and skillful financial planning. Farmers can no longer "go broke cheap." Increasingly, farmers are faced with having to deal with the group actions of others in their production operations. Those with labor intensive crops, those with crops dependent on reliable transportation, those with crops grown for processing, all are experiencing economic pressures. Such an economic environment will cause farmers to continue to consider cooperative farm bargaining as a necessary part of their farming practice. The type of association and how it may operate is the subject for this chapter.

The political climate of the future will have a great influence on the future of farm bargaining. Government programs to support farm prices are expected to become increasingly difficult to achieve or even to maintain. The conditions attached to government assistance will become more onerous. Government programs tend to be created based

on political considerations to further social goals. There is little reason to believe that farmers, in the long run, can expect to be treated any differently than others who are subsidized or who contract with the government in industry and commerce. Government programs that provide benefits to farmers can be expected to require compliance with regulations that will further the social or political goals of the party in power. As a result, farmers will need to consider other alternatives to maintain and protect their investments. One of these alternatives is cooperative farm bargaining.

The American farmer's political influence has long been on the wane. The number of farm votes, even counting those who at one time lived on the farm and still hold a measure of sympathy for the farmer's problem, has declined sharply as a percentage of the entire voting population. As the number of farmers has become smaller, the individual enterprise has become larger. With the increase in size have come greater political sophistication and the gradual recognition of the need to build political influence from a new base. Economics, and not numbers, will become the new political base for agriculture. New allies may require compromises that have in the past not been acceptable.

The nature of the marketing system will also have an influence on the future of farm bargaining. There is little likelihood that the buying power in the food industry now held by nationwide manufacturers, retailers, wholesalers, institutional buyers, and exporters, will be modified in a manner that will enhance the bargaining position of the farmer. The food industry beyond the farm gate will become more powerful as it becomes more efficient and continues to generate its growth from large volume low-unit-cost operations. The increasing buying power of the food industry will inevitably result in a move either to impose legislative restraints, or to develop some type of countervailing power for the producer of the raw product. Both parties should find the latter course more acceptable and practical.

The type of farming operation of the future will also be significant. The trends toward larger farms, greater specialization, more mechanization, and greater need for capital are bound to change the traditional ways of farming, as in fact, they already have. The farmer will become more a farm *manager* with greater emphasis on management skills. Marketing strategies and financial planning will be the tools needed for the successful farming enterprise. Besides the skills needed for farming with its many disciplines will be management skills, and this combination means a farmer executive who will make farming decisions based

on the bottom line, thus increasing the need to exercise some influence on prices and terms of trade.

I believe that the future of cooperative farm bargaining must be analyzed in the context of the foregoing circumstances of political environment, market systems, and farming operations—particularly the market systems. The fading open assembly and free markets are being replaced by a system of contract farming. Contract farming lends itself to group association by producers for negotiating contract terms. Contractual agriculture will be bargained agriculture.

Cooperative farm bargaining in the future must meet the test of operating in the public interest, as well as for the farmer's benefit. These two objectives are not mutually exclusive. The public interest is best served by maintaining an adequate supply of good quality food for the American consumer. The adequacy of the food supply, its variety, and its quality depend on a market system that provides a profit for the efficient farmer, processor, and distributor. Profit is the incentive needed to maintain productivity. Cooperative farm bargaining will be one means to maintain the profits necessary to provide the Nation with an adequate supply of food. Agricultural production is also a key element in maintaining a favorable balance of trade, and profit will encourage the production needed. The undue price enhancement provision of the Capper-Volstead Act provides the necessary limitation that will protect the American consumer from unfair or unreasonable prices beyond that of earning a needed profit to maintain production. Price is not the only means of achieving profitable results from farming; greater efficiency, better coordination, and the elimination of wasteful practices are all important factors in bringing profits to the producer while at the same time maintaining reasonable costs of food for the consumer, thus serving the public interest.

Dairy bargaining associations have served the public interest by their remarkable achievements in coordinating the production and the deliveries of fluid milk in such a way that, despite the variable production pattern in the dairy business, fluid milk bottling plants can operate at maximum efficiency; excess supplies are diverted to beneficial uses; handling costs are minimized; and the costs of milk and dairy products are maintained at reasonable levels without waste of valuable resources.

Tomorrow's farm bargaining association cannot expect to maintain its bargaining strength by dealing with the issue of price and terms of sale alone. It should assume the full responsibility for supply management, be it on a buyer-by-buyer basis, regional basis, or national ar-

rangement. Supply management in this context means that the producers of the commodity through their cooperative bargaining associations, and utilizing marketing orders when necessary, will be responsible for furnishing the necessary quantity of raw product of the quality needed to maximize the efficient operation of the buyer's plants and the marketing system. The association will have the responsibility for coordination, transport, quality control, and producer payments. Under this arrangement, the buyer will specify the quantity, quality, and time of delivery of the raw product. The role of the association will be to coordinate the members' production to meet this market requirement. Multiple-year contracts will be negotiated, thus providing producers with firm markets for certain production. The buyer will have an assured supply to encourage better planning and marketing of the finished product. The cooperative bargaining association will be a voluntary organization. Those producers who choose not to become members will have to compete with the cooperative for a share of the market.

The system of country buyers competing with each other and playing one producer off against the other is inefficient and costly. It is only justified when handlers or processors can acquire their supplies at costs that are less than their competitors. The nature of the competition is such today that few processor/handlers can achieve large reductions in cost of raw material without either violating the law or exploiting the farmer. The advantage to a farmer of doing business with one large company instead of another is not always apparent. Significant savings can be realized from better coordination by the producers. Such things as uncoordinated transportation, multiple inspection arrangements, scattered loading and receiving operations, particularly for fruits and vegetables for processing, are costly and can be improved. The prospects for cost reduction in this area loom large when compared to the overall wasteful practices that are now being used. Mergers and acquisitions in the food industry have enabled many companies to achieve economies of scale. The independent farmer can also achieve economies of scale through the operation of a cooperative bargaining association that assumes the responsibility for the coordination, the acquisition, and the handling of farm products. At the same time, the independent farmer has a chance to reduce the market risks by the use of multiple-year contracts.

The food industry's mass handling and mass marketing techniques have resulted in a system of blending the quality of the raw products

that are received. The good is mixed with the not so good to produce a finished product of average quality. A bargaining association, able to negotiate a system of proper incentives, can improve the quality of the raw product. While weather and location have a significant impact on quality, farming techniques and skills are still a basic factor in maximizing quality. Like anything else, it requires more money to produce higher and better quality. In California, many peach growers took great pride in producing cling peaches of exceptional quality, often at the expense of lower yields and higher costs per unit of production, but they were never fully compensated for their efforts. Their production improved the average of all the deliveries, but their fruit was never processed separately and identified for its real value. There simply was no way in a mass production operation to deal with separate lots of fruit. The costs would have been prohibitive. The bargaining association was finally able to negotiate a system of incentives and penalties for deliveries; those lots with fewer defects received a higher price than those with many defects or other quality problems. This served to reward quality growers for their efforts. To the processor, fewer defects meant greater efficiency in the operation of the processing plant, and so the added payments for quality were justified and have become a standard in the industry.

Farm products soon lose their identity in the large volume operation. Processors and handlers deal in total tons of production. It is the average quality that is significant. Better overall quality may improve market position for a processor/handler or even permit a higher than average price. Buyers will generally negotiate for prices related to quality that can be measured. A bargaining association can and should provide the leadership in meeting the quality needs of the primary market by negotiating the incentives necessary to achieve the results that are required.

A bargaining association can meet the food industry's needs, while at the same time meeting the needs of the farmer member. Quality control, volume regulation, and coordination of deliveries are proper functions for the association. All three of these functions are a significant part of the need for cost control on the part of the handler/processor. These functions are also important to the producer in providing a stable market and fair returns. An opportunity for significant reduction in costs may be found in transportation. In California's two largest canning crops, tomatoes and peaches, there are often as many loaded trucks going in one direction as there are in the other. Nondifferentiated prod-

ucts moving in opposite directions to supply the same industry is not an efficient operation. Coordination of deliveries could sharply reduce the handling costs for these crops.

Every commodity has experienced dramatic changes in its marketing system. Changes in life-styles of the consumer, changes in eating habits, changes in handling methods, processing techniques, and distribution systems all have a final impact on the farm. Consider the dramatic changes of the past 15 years in the handling of fluid milk: the advent of refrigerated handling, bulk deliveries, and new technology has resulted in fewer dairy farmers with more cows, fewer and larger processing plants, and a virtual revolution in the system of buying and handling of fluid milk. Bargaining associations have become regional in nature. They perform services that complement the marketing system. Today's Wisconsin dairy farmers don't know if their milk will be consumed as fluid milk or cheese in Chicago, Minneapolis, or Cleveland. They do know that they have a home for their production and that their returns will be based on the efforts of a bargaining association that has become a part of the marketing system.

An example of the impact of the change in eating habits can be found in tomatoes. Fast food franchises and the popularity of pizzas have dramatically changed the demand for tomato products. This change in the market was one of the factors that led the tomato growers in California to undertake a successful bargaining operation.

The increase in the demand for boxed beef, replacing the traditional system of dealing in carcasses, will have an important impact on the manner in which beef cattle will be marketed. Some feedlot operators in the Pacific Northwest have entered into long-term participation contracts with a major packer of boxed beef. There is a mutual need in the livestock industry for assured supplies and an assured market. The cattle cycle which haunts the industry may lend itself to a cooperative bargaining effort more than any other major commodity if one considers the needs of the producers, and of the handlers and processors, for a stable market and improved methods for handling and coordination. Every time there is a major change in the marketing system of a commodity, some opportunities are opened up for the bargaining process. This appeared to be the case with respect to broilers, and a real effort was made, but later abandoned by the Farm Bureau. There are some, however, who feel the efforts will be resumed in the future when the mutual needs of the producers and the integrators can both be served by cooperative bargaining.

Handlers, buyers, and processors are looking for ways to reduce costs and increase efficiency. The larger the organization, the more difficult it is to deal with many individual producers. A modern food conglomerate is programmed to deal with large customers, large suppliers, large labor unions, and larger vendors of services. They deal with chain-store executives and the executives of large industrial concerns who supply their manufactured items. They deal with computerized systems that require good cost controls. Yet, when it comes to farm commodities, they deal with many individuals. Many food companies deal with more individual farmer suppliers than the total of all of the other suppliers they do business with. Their method of dealing with farmers is the same as that used in dealing with any other large company. Dealing with many farm suppliers has been profitable. By using their buying power, buyers have been able to maintain low costs for their raw materials. As the number of farmers has declined and the individual farmers have become larger, they have also become more sophisticated. In many commodities, farmers have joined cooperative bargaining associations. The cost advantages that the buyers have enjoyed from doing business with many individual farmers are no longer as significant as they were. There are potential cost advantages in dealing with cooperative bargaining associations capable of recognizing and coping with the complex needs of a large volume operation.

This is a system ready-made to deal with organized producers capable of supplying their needs on a stable basis. The escalating costs of energy, labor, and capital make the prospects of dealing with producers on a responsible basis most attractive. The main fear of a buyer is that a competitor may be able to purchase raw products at a lower cost. Experience has been that this is increasingly difficult to achieve without resorting to sharp buying practices or cheating the producer. What is important is being able to handle a large volume of raw products in a most efficient manner. The prospects of entering into long-term supply contracts at reasonable prices on a basis calculated to maximize plant efficiency can be mighty attractive. The price of the product may be less important than the manner in which it is handled, provided that the competition does not receive a price advantage. "Why," the reader may ask, "if this arrangement is so attractive, hasn't the practice become universal?"

There has been a long record of growth and development of a successful system of cooperative bargaining that operates to fulfill the needs of an industry. It is the only bargaining method that has continued to

grow. The idea that the very formation of a collective bargaining agency will by itself bring handsome results has not proven to be the case.

Bargaining associations of the future must fulfill a marketing service and be able to demand and receive a price for such services that the market can afford. The bargaining association of the future must perform some of the same functions of mass assembly and coordination that a large corporation now performs. The bargaining association will perform the service for its members, while the food corporation will perform the service to increase the shareholders' returns from their investments. The bargaining association is in a unique position to perform a service for a processor/handler dealing with many growers. Why then hasn't this happened to a greater extent than it has?

Change in any industry comes slowly. Perhaps in the business of farming it comes at even a slower pace because farming is not a transitory business. Most farmers come from farm families. The land is held for long periods of time. Farmers, above all, value their independence. There are few farmers who have not had difficult times brought on by weather, insects, government regulations, and depressed markets. They don't panic easily. Changes do come, though often at a pace that may seem slow. Given the fact that farmers measure changes by seasons or by crops rather than day to day, change has been rapid, particularly in production technology.

Tradition has a significant influence in the farming business. Farmers, for example, have traditionally maintained a loyalty to those who buy their production. Experience over the years has demonstrated the importance of maintaining a relationship with the buyer. This loyalty has been shaken in recent years by the many mergers and changes among companies that have been buying the farmers' production. New people and new policies often lack a reciprocal sense of loyalty to the farmer.

The idea of cooperative farm bargaining is just reaching a new threshold in its growth and development. The experience of the past 20 years has shown what will work and what works best. Changes in the market structure, the political strength of agriculture, and the business of farming itself have served to limit the number of options available to agriculture to maintain access to a fair share of the consumer's dollar.

Notwithstanding the growth of cooperatives, not all farmers are "cooperative minded," particularly in marketing. They are basically competitive with each other. Many cooperatives came into existence because of hard times, and because farmers had few other options to

consider. Many cooperative bargaining associations were formed because of low prices and unfair treatment by the buyers. In the future, bargaining associations will come into being and grow in importance because they can perform a service that is beneficial to both the farmer members and the particular industry their commodities fit into. Bargaining will grow because it is a natural fit in today's food marketing system. The capital investment required to produce most commodities is largely held by the farmer. Even when taking into account the finished product, the major portion of the capital required to produce food is furnished by the farmer.

Many food companies are just beginning to realize some of the advantages that are associated with a strong, well-organized, and well-managed bargaining association. Bad experiences in the past are often an inhibiting factor in coming to terms with the idea of farm bargaining, but as the prospects for a more stable supply of raw materials become evident, the food industry will support and recognize bargaining associations if it believes that the services that the associations can perform will complement its operations.

The function of a bargaining association in the future might include the following:

Contracts:

A. Negotiate multiyear supply contracts for all or most of the supplies of the handler/processor.
B. Contract with the members through membership agreements to handle and market the production from specified production units.
C. Annually negotiate the prices and the terms of sale for the members' commodities on a delivered-to-the-plant basis, and cover those matters that are not included in the multiyear contract.
D. Contract for the diversion and sale of the production not needed in the primary market.

Services:

A. Provide both field inspection and plant inspection of the members' commodity.
B. Promulgate uniform standards of quality and production necessary to meet contract requirements and to maximize total returns.
C. Furnish transportation from farm or receiving station to buyer's facilities.

D. Coordinate all deliveries to all buyers in accordance with preestablished pickup and delivery schedules set forth in the contract.
E. Effect prompt payment for commodities delivered and pay the members.

Planning:

A. Assist the members in planning production for the market, quality, volume, and possible diversion.
B. Assist the buyers in planning deliveries to maximize plant efficiency.
C. Carry out directly, or by contract, research on production problems, new varieties, and market opportunities.

The bargaining association of the future will be involved primarily with providing services to the members which the individual member is not able to perform as efficiently. The volume handled by the association can develop economies of scale that the individual cannot achieve. Such a bargaining association would not require large amounts of capital. It would be operated on a not-for-profit basis with financing derived principally from a service charge per unit of production that is handled.

Many obstacles will need to be overcome before such a system will become generally acceptable. Farmers in commodities where bargaining has not existed, or where it has failed in the past, may have bitter memories of other plans that failed, both governmental and private. There may be reluctance to accept the disciplines that are associated with the kind of bargaining association outlined. Hopefully, the records of successful associations will help overcome such reluctance. Handler/processors, particularly those who have an efficient buying and handling operation, will be reluctant to embrace this idea because they will have little to gain. Others will point to bad experiences with bargaining, where, for example, a high price at any cost was the sole objective of the association.

The kind of bargaining association that is contemplated will require skilled and dedicated management. Few people are trained to step into such a responsibility today. Responsible and reliable management will tend to quiet the fears of many, and such management is not easily found. It must be paid at a level commensurate with the responsibility of the organization. The current lack of trained management to operate bargaining associations is probably the most significant deterrent to successful growth. It is to be hoped that, as the need becomes more evident,

universities will offer courses that can prepare individuals to take up the work as a profession.

Over time, I believe these problems can be overcome. Surely there is a place for an organization that can bring to farmers stable and fair returns for all of their production grown under a contract, while at the same time supplying to the handler/processor supplies of a quantity and a quality that are needed at fair prices. Such an arrangement would serve to increase the returns for both through efficient handling and coordination.

Farm bargaining in the future may find that regional or area multi-crop associations will be formed to handle the administrative responsibilities such as accounting, insurance, personnel development, economic research, and public relations. The bargaining process, however, will, in my opinion, continue to be carried out commodity by commodity. Those farmers who produce the commodity will continue to control the bargaining for their commodity through the election of their bargaining board or committee. The regional or area association will provide a service function but not a bargaining function. Bargaining for many commodities by one association is fraught with problems such as trade-offs between commodities and control by the representatives of the dominant commodity in the area. It would be a very complex operation that might tend to attract regulatory laws designed to limit its power. In addition, there are natural economic conflicts: a grain producer will not want a fruit producer to vote on or influence a price decision on grain and vice versa.

The Michigan Farm Bureau's bargaining arm, MACMA, operates as a service agency to the various bargaining committees which are elected by the members who grow and produce the crop to be bargained for. Each commodity group operates with its own staff. Whether this type of operation under the auspices of AFBF will spread remains to be seen. Michigan State law provides for exclusive agency bargaining. There will be a need for regional service agencies if farm bargaining continues to grow. It is to be hoped that the question of who will control the regional service agency will not bog down in a struggle between farm organizations where who does it is more important than providing the needed services.

From time to time proposals have been made that marketing orders should provide the institutional mechanism within which formalized price negotiations could take place. Such proposals will no doubt be made again should the voluntary type of bargaining association

described in these chapters fail to bring about some measure of equity between producers of farm commodities and food manufacturing and food distribution industries. Marketing orders continue to come under attack from consumer-oriented members of Congress and administrative agencies not familiar with the complexities of agricultural marketing and production problems, or seeking to find scapegoats for the rising prices of food. Marketing orders are not free from government control and influence, and there is always the risk that political and social goals will receive priority over economic or orderly marketing goals.

Legislation requiring good faith bargaining on the part of both parties is under consideration. Similar legislation has been considered in the past. This time, however, prospects are improved due to the widespread support for the idea among all the major farm organizations. Such legislation, if passed, should serve to close the last loophole for refusing to bargain with a bona fide farmer owned and controlled bargaining association. Legislation based on the Michigan bargaining legislation which establishes a bargaining unit and provides for exclusive agency bargaining may not be necessary if the trend moves toward the adoption of the type of organization projected in this chapter. On the other hand, if the legitimate needs of the farmers in the Nation who find themselves operating in a market environment that is dominated by a handful of powerful handler/processors are frustrated, the Michigan type of legislation is likely to be used as a means of satisfying the farmers. However, even within the framework of exclusive agency bargaining as provided for in the Michigan example, the functions of a successful bargaining association must be oriented toward the needs of the primary market, the public interest, and the needs of farmers.

Cooperative bargaining associations should expect that the undue price enhancement provisions of the Capper-Volstead Act will be given greater attention by the Federal Government. The absence of any legal history leaves an interpretation that may result in doubt. What is undue enhancement? Is it a price in excess of parity or some other formula? Is it a price over and above the cost of production? If so, what is a fair margin of profit? These and other questions will no doubt dominate the discussions that will take place over the administration of this provision in the future. The growth and development of the kind of cooperative bargaining association contemplated in this chapter would certainly hasten a decision to make greater use of the undue enhancement provision if that decision has not already been made. As farmers gain power

and influence in pricing their production, others will seek to restrain and limit that power. The political realities almost guarantee such a result. This, however, may not be as bad as some may think. The Secretary of Agriculture has had such powers since the Act was passed in 1922. The fact that little was done about it is an indication that farm prices simply have not been unduly enhanced. The growing strength of dairy bargaining associations has brought the issue into focus and raised many questions. Perhaps for the first time, some farmers have gained a measure of influence over the prices for their production.

Bargaining associations might find it in their best interest to work with the Administration and the Congress to develop a procedure that will be responsive to the desire to prevent undue price enhancement by a bargaining association. The public interest is served by adopting a policy of encouraging agricultural prices to rise to the point necessary to maintain enough production of a commodity to meet the needs of the Nation. Such a policy rewards the most efficient producers and discourages the inefficient. It is a policy that would allow bargaining associations of the kind described in this chapter to grow and prosper.

Appendix A
Sample Cooperative Membership And Marketing Agreements

1. Membership Agreement — California Canning Peach Association

Name _____ Number _____ County _____

Address _____ District _____ Orchard No. _____

City _____ Zip _____ Social Security No. _____

THIS AGREEMENT, made this _____ day of _____, 19__, between CALIFORNIA CANNING PEACH ASSOCIATION, a non-profit cooperative association organized under the Agricultural Code of the State of California ("the Association"), and _____, ("the Member"), applies to the following orchards: (see Exhibit A for acres, variety and year of plant.)

_____ _____ _____ _____ _____

Member _____

Witness _____

California Canning Peach Association by:

_____

WITNESSETH:

Consideration

1. The Member acknowledges that other growers throughout the State have or hereafter may execute similar Membership Agreements with the Association and this Agreement is executed in consideration of becoming a member in the Association and of all other growers who are or will become members in the Association, with the purpose of achieving the mutual satisfaction and benefit of all members of the Association through cooperative endeavor and enterprise.

Term of Membership Agreement

2. This Membership Agreement shall become effective on November 1, 19__, and shall be for a term of fifteen (15) years, unless terminated in accordance with paragraph 3 hereof.

Termination

3. This Membership Agreement may be terminated by the Member by giving written notice thereof to the Association between November 1 and November 14, inclusive, of any crop year during which the Agreement is in effect. The Association, likewise, may terminate the Membership Agreement by giving written notice thereof to the Member between January 1 and February 28, inclusive, of any crop year during which the Agreement is in effect. Any notice of termination given in accordance with this paragraph shall become effective upon the close of the crop year in which such notice is given.

Sale and Delivery of Products

4. The Association hereby purchases and the Member sells all of the varieties of peaches produced by or for the account of the Member on the lands described in Exhibit "A" hereto during each year this Membership Agreement is in effect; provided, however, that notwithstanding any provisions in this paragraph 4 to the contrary, the obligation to deliver peaches of a Member whose canning peaches are presently under contract to a processing cooperative shall be as described in paragraph 5 hereof and the obligation to deliver peaches of a Member whose canning peaches are sold under an existing contract to a commercial canner shall be as described in paragraph 6 hereof.

All deliveries of peaches under this Membership Agreement shall be in accordance with such rules and regulations as may be adopted by the Board of Directors of the Association and as are authorized by the By-Laws of the Association.

Cooperative Members

5. Any Member of the Association who is also a member of a cooperative processing company may deliver his peaches directly to said cooperative and is exempt from the provisions of paragraphs 4 and 11 hereof. Such Member acknowledges that the Association may collect from the cooperative to which his peaches are delivered a service charge per ton on the peaches described herein equal to the service charge paid to the Association by commercial processors. Additionally, the Member agrees to direct the cooperative to which he delivers his peaches to pay to the Association an amount equal to 1% of the established price for such peaches, which sum shall be held by the Association and disbursed in accordance with paragraph 10 hereof.

Agency Members

6. Any Member of the Association who, at the time of execution of this Membership Agreement, is obligated by contract to deliver the peaches described herein to a commercial cannery shall deliver his peaches directly to such commercial cannery and shall be exempt from the provisions of paragraphs 4 and 11 hereof until the expiration of the current term of said contract, but thereafter the Member shall become subject to the provisions of said paragraphs 4 and 11 and this paragraph shall no longer apply. The Member hereby appoints the Association to act as his agent during the current term of his contract with such commercial canner to perform such services and to conduct such activities (including price negotiations) as the Association deems necessary or advisable to assure that the Member will receive a price for his peaches which is equal to the price received by other members of the Association. The Member agrees to pay a service charge per ton on the peaches described herein equal to the service charge paid by commercial canners to the Association on peaches sold by the Association and that the Association may collect such service charge directly from said commercial canners. In this regard, the Member agrees that he will give notice to such commercial cannery pursuant to Section 58451 of the Agricultural Code of the State of California that he hereby assigns such sum to the Association and directs that such sum be deducted from the price to be paid for the peaches sold by him and to pay the same directly to the Association.

Additionally, the Member agrees to direct the commercial canner to which he delivers his peaches to pay to the Association an amount equal to 1% of the proceeds arising from the sale of such peaches, which sum shall be held by the Association and disbursed in accordance with paragraph 10 hereof.

Establishment of Purchase Price and Time of Payment

7. A member who has delivered peaches under this Agreement which the Association has been able to resell shall receive a minimum price therefor equal to 95% of the proceeds arising from such sale, and the Association shall cause 95% of the proceeds realized from such sale to be paid directly to the Member by the buyer thereof. The Association shall receive the remaining 5% of such proceeds, 4% of which it may deposit in a Contingency Fund designated and maintained as provided in paragraph 9, and the remaining 1% of which it shall deposit in a Revolving Fund designated and maintained as provided in paragraph 10.

Operation of Pool

8. All peaches subject to this Agreement which the Association has been unable to sell at its established price or prices after using its best efforts to do so shall be placed in a pool with peaches of like grade, kind and classification. The price to be paid by the Association for the peaches delivered to the pool shall be based upon the net proceeds received by the Association from the operations of pool, after first restoring to the Contingency Fund or the Revolving Fund, as the case may be, all moneys expended from such funds in the financing or maintenance of the pool, as provided in paragraphs 9 and 10, and after deducting an amount equal to 1% of the net proceeds realized from the operations of the pool, which amount shall be held by the Association and disbursed in accordance with paragraph 10 hereof; provided, however, that the Board of Directors may excuse the payment of said 1% if in its discretion it would be fair and equitable to do so. The net proceeds of the Pool shall be distributed to the members participating in the Pool at such times and in such amounts as the Board of Directors, in its discretion, shall determine. The Board of Directors shall manage the pool in such a manner as, in its judgment, will provide the maximum returns to the members participating in the pool consistent with the purposes of the Association.

Contingency Fund

9. Each year the Board of Directors of the Association shall determine whether it is necessary or appropriate to create a Contingency Fund for that year to supplement or augment the Revolving Fund established under paragraph 10. If such a fund is created, all moneys accumulated in the fund for that year shall be available to the Association for the primary purpose of assisting in the financing and administration of the pool established for that year (but not to purchase any of the peaches delivered to the pool); provided, however, that the Contingency Fund shall be utilized for such purpose only after all moneys accumulated in the Revolving Fund have first been exhausted.

In the event that the Board of Directors of the Association determines that the creation of a Contingency Fund is necessary in any year, all payments received by the Association representing 4% of the proceeds arising from the sale of its fruit during such year shall be placed in the fund. Contingency Fund Certificates shall be issued to the members whose peaches have been resold by the Association evidencing the amount of payments thus credited to the Contingency Fund. After the close of the pool established for that year, and prior to the distribution of the proceeds of the pool to the members participating therein, the Association shall cause all moneys expended from the Contingency Fund to be restored to the Fund; and as soon as practicable thereafter, the Association shall redeem pro-rata from its members all outstanding Contingency Fund certificates issued for that year.

In the event that the Board of Directors of the Association determines that the establishment of a Contingency Fund is not necessary in any particular year, then it shall cause all payments representing 4% of the proceeds arising from the sale of its fruit during such year to be paid to the members delivering such fruit.

Revolving Fund

10. The Association shall create and designate upon its books a Revolving Fund. All payments received by the Association representing the 1% deduction referred to in paragraphs 5, 6, 7, and 8 shall be deposited in the Revolving Fund and accumulated annually until the balance in the Revolving Fund reaches $1,000,000. Certificates shall be issued annually to the Members evidencing the amount of the deductions or contributions made by the Members and credited to the Revolving Fund. When the balance in the Revolving Fund reaches $1,000,000 all subsequent 1% deductions received by the Association shall be used to retire pro-rata the then oldest Revolving Fund certificates; provided, however, that if disbursements are made from the Revolving Fund, as hereinafter provided, so that its balance falls below $1,000,000, all further redemptions of Revolving Fund certificates shall be suspended until said balance is restored to $1,000,000. To the extent practicable, the corpus of the Revolving Fund shall be maintained at $1,000,000 and shall be available for use by the Association for such purposes of the Association as the Board of Directors deems advisable, specifically including the financing and maintenance of the pool provided for in paragraph 8 (but not to purchase any of the peaches delivered to the pool). In the event that the Revolving Fund is utilized to finance or maintain such pool, all moneys so utilized shall be restored to the Revolving Fund, after all disbursements from the Contingency Fund have been repaid, before any distribution of the net proceeds of the pool is made to the members participating therein. Except as otherwise provided herein or by the By-Laws of the Association, there shall be no limitation on the use of the moneys accumulated in the Revolving Fund or on the manner of its investment by the Board of Directors for the purposes of the Association.

Liquidated Damages for Non-Delivery

11. The parties hereto fully understand and admit it would be impracticable or extremely difficult to fix the actual damages to the Association which would result from a breach of this Membership Agreement by the Member, and therefore they expressly agree that in the event of the Member's neglect, failure or refusal to deliver to the Association the products purchased hereunder, the Member will pay to the Association as liquidated damages, a sum equal to 25% of market value of each and every ton of peaches that the Member fails to deliver to the Association in accordance with the terms hereof. In default of such payment, the Association may offset against such sums owing from Member any credit standing in the name of Member, including Member's interest in any fund of the Association, or may bring suit in any court of competent jurisdiction in the State of California, and the Member agrees to pay all expenses arising out of or caused by such litigation, including reasonable attorneys' fees.

Operating Costs

12. Each Member agrees to pay a pro-rata share of the annual operating costs of the Association to the extent that such operating costs are not covered by the service charge paid to the Association under paragraphs 5 and 6 or by a commercial canner; provided, however, that in any one crop year the obligation of the Member shall not exceed $1.50 per ton for each ton of products sold subject to this Agreement. In this regard, the Member agrees that, when requested to do so by the Association, he will give notice to the processor to which his peaches are delivered pursuant to Section 58451 of the Agricultural Code of the State of California, that he hereby assigns such sum to the Association and directs that such sum be deducted from the price to be paid for the peaches sold by him and to pay the same directly to the Association.

Deliveries to be in the Name of Members

13. All deliveries of the peaches subject to this Agreement are to be made in the name of the Member unless notice to the contrary is given in writing to the Association, and all payments or advances hereunder are to be made to the person in whose name such deliveries are made or upon order signed by him and duly accepted by the Association.

Records

14. The Member agrees to furnish or to make available to the Association any records concerning the production, delivery and sale of the peaches subject to this Membership Agreement.

Notices

15. All notices herein provided to be given, shall be deemed to have been given to the Association when mailed, postage prepaid, to its office in Lafayette, California, and to the Member when mailed, postage prepaid, to his address as noted hereon, or to such other address as may from time to time be furnished in writing by either party to the other.

Partnership Member

16. If this Agreement is signed by an individual in behalf of a partnership, he warrants that he is authorized to sign in behalf of the partnership and agrees that this Agreement is binding upon the partnership and all its individual partners.

Bona Fide Transfer

17. If a Member transfers any portion of the land described herein during the term of this Agreement, the peaches produced thereon shall be delivered to the Association during the crop year in which such transfer is made, but not thereafter. The Member agrees to notify the Association in the event of such a transfer and to provide the transferee with a copy of this Agreement prior to the transfer. If the transferee fails to deliver said peaches to the Association in accordance with this Agreement, the Member shall remain obligated to the Association for liquidated damages as provided in paragraph 11 hereof, and the Association shall have such additional remedies as are provided by law.

Force Majeure

18. In the event that the performance of this Agreement by the Member or the Association is prevented by strikes, disasters or any other cause beyond the parties' control, injunctions or the orders of any officer or regulatory body of the state, federal or any local government, the parties shall be excused from such performance to the extent thus prevented, and neither party shall have any right against the other by reason of such non-performance.

Agreement Expressed Herein

19. The parties agree that there are no oral or other promises, conditions, covenants, representations or inducements in addition to or in variance with any of the terms hereof and that this Agreement represents the full understanding of both parties.

Succession

20. This Agreement shall bind the heirs, administrators, successors, and/or assigns of the respective parties hereto.

Counter-Part Execution

21. This Agreement and all similar agreements executed by other members shall be deemed counter-parts of one and the same contract, but each Member shall be severally liable for the full performance of the Agreement signed by him. This Agreement shall not be effective until it has been executed by the Association and authorized or ratified by the Board of Directors of the Association.

By-Laws Acceptance & Approval

22. The Member hereby acknowledges receipt of a true and correct copy of the By-Laws and hereby gives his full assent to and approval thereof, with like force and effect as if the Member's signature has been affixed to the original By-Laws.

Crop Year

23. A crop year as used herein shall begin on November 1 and shall close on the following October 31.

2. Washington Asparagus Growers Association Marketing Agreement

This contract made and entered into this _____ day of _____ ,

19__, by and between _____ of the

County of _____ , State of

_____ , whose present mailing address is

_____ of the State of _____ hereinafter called the "Grower", cooperative corporation organized under the cooperative marketing act of the laws of the State of Washington, hereinafter called the "Association", WITNESSETH:

In consideration of the promises, stipulations, and agreements hereinafter set forth to be performed by the parties hereto respectfully, and in further consideration of substantially similar agreements between members of the Association and other members of the Association, IT IS AGREED by and between the Association and the Grower as follows:

1. The Grower hereby appoints the Association his sole and irrevocable agent for the purpose of marketing and selling all asparagus to be grown and harvested by the said Grower or for him or on lands leased by him to tenants or otherwise acquired by him, during the life of this contract, and the Grower agrees to market all such asparagus exclusively through the Association.

2. The Grower hereby appoints and designates the Association as exclusive sales agent and agrees to annually market through the facilities of the Association his entire harvested production of asparagus each year.

3. The Association is hereby authorized, and the Association agrees to, determine in its' sole discretion as to the sale of signed asparagus for processing and the Association is empowered to sell asparagus for processing to such processors, firms, persons, corporations, and at such prices as the Association shall determine; provided, however, that insofar as practicable and possible, the Association will confer with and respect the desires of Growers' before the Association sells Growers' signed asparagus to other than a processor or processors designated by Grower.

4. In the event that Grower is by contract obliged to market signed asparagus to or through a cooperative cannery or a commercial processor, or to any other person, processor, broker, corporation, or firm, the appointment of the Association as exclusive sales agent for signed asparagus shall not be or become effective until such time as the Grower is no longer so obliged to market signed asparagus; provided, however, Grower shall not cause to be renewed or extended any such contract beyond date of termination. Grower's obligation to share in the Association's operating expense shall immediately become effective on the date this contract is signed.

5. In the event Grower shall market, sell or dispose of any signed asparagus of Grower, contrary to the provision of this Agreement, or shall sell, market, or otherwise dispose of any signed asparagus other than through the agency of the Association, such act will injure the Association in an amount that is, and will be, impracticable and extremely difficult to determine and fix, and that is, therefore, fixed in an amount of 20% of the market value of all asparagus sold, marketed or disposed of contrary to the provisions of this Agreement and which amount Grower so violating this Agreement agrees to pay, and shall pay, to the Association as liquidated damages and in default of payment thereof to the Association upon demand, such damages

may be recovered in any court of competent jurisdiction in the name of the Association. In case any action is brought against Grower to recover from Grower the damages above provided for, Grower agrees to pay all costs, premiums on bonds, expenses and attorneys fees in such action.

6. Either party hereto may terminate this agreement and membership in the Association by giving written notice to the other any time during the month of August of any year, such termination shall be effective as of the 1st day of September of the year in which the notice is given.

7. Each year after the effective date of this Agreement, the Grower shall furnish in written form, and in such manner and such time or times as the Association shall prescribe such estimates of Grower's expected signed asparagus tonnage as the Association may determine. The Association may require that the Grower, in furnishing such estimates, shall designate his preference of the purchaser of his signed asparagus.

8. If this Agreement is signed by the members of a partnership, it shall apply to them and each of them individually in the event of a dissolution or termination of said partnership.

9. In case of a bona fide sale made by the Grower of any portion or all of the land upon which the signed asparagus is grown and produced to any person, firm, or corporation during the term of this Agreement, all asparagus produced upon the land so sold shall be marketed or sold pursuant to this Agreement during but not beyond September of the succeeding year in which sale shall have been made and such purchaser shall be deemed to be obligated to market or sell said asparagus pursuant to this Agreement, provided, however, that the Board is empowered to release asparagus grown upon such property prior to the actual sale of said asparagus to the Association. In the event of the failure of the purchaser so to market or sell said asparagus the Grower shall remain obligated to the Association for liquidated damages as herein provided for all asparagus not so marketed or sold by such purchaser and in addition the Grower shall be subject to any and all other remedies available to the Association in the event of breach of this Agreement.

10. It is mutually understood and agreed that the Grower shall pay to the Association for and in consideration of the services to be rendered by the Association a sum equal to 1% of all asparagus marketed by the Grower and the Grower hereby authorizes and instructs the purchaser of said asparagus to deduct such amounts from the proceeds of the sale of said asparagus each pay day and pay same to the Association.

11. This contract shall continue in full force and effect for a period of five years from the date hereof, provided, however, to the right of termination by written notice as hereinabove provided.

12. The parties agree that there are no oral or other promises, conditions, covenants, representations, or inducements in addition to or in variance with any terms hereof, and that this Agreement represents voluntary and full understanding of all parts.

13. The parties hereto agree that this Agreement shall bind the heirs, administrators, successors, and assigns of the respective parties hereto.

14. Inasmuch as the signature of the original By-Laws adopted by the Association by each and all Growers would be difficult and impracticable, now, therefore, the Grower does hereby agree with the Association and with all other members of the Association that by execution of this Agreement, the Grower acknowledges the receipt of a full true and correct copy of the By-Laws of the Association and does hereby give his full assent to, and approval thereof, with like force and effect as if the Grower' signatures had been affixed to the original of said By-Laws, and the member agrees to abide by the said By-Laws and all amendments thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year above written.

Local Description of Asparagus Farm Headquarters: _____

_____

_____

Are you now subject to a Term Contract with a Commercial Processor _____ ?
(Yes or No)

If your answer is Yes, list the expiration date for each field below.

FIELD NO.	ACREAGE	AGE	NAME OF PROCESSOR	DATE OF CONTRACT EXPIRATION

_____ _____
(SOCIAL SECURITY NUMBER) (Grower)

WASHINGTON ASPARAGUS
GROWERS ASSOCIATION

_____ by _____
Telephone

3. Membership Agreement of California Tomato Growers Association, Inc.

THIS AGREEMENT, made this _____ day of _____, 19__, between CALIFORNIA TOMATO GROWERS ASSOCIATION, INC., a non-profit cooperative association organized under the Agricultural Code of the State of California ("the Association") and _____

_____, a grower-member of said Association ("Member").

WITNESSETH:

WHEREAS, Member is one of numerous producers situated throughout the State of California engaged in the production of tomatoes and the by-products thereof;

WHEREAS, Member can more efficiently and economically market his products by joining together with other growers in the State of California in a cooperative association;

NOW THEREFORE, the parties hereto agree as follows:

1. **Consideration.** This Agreement is made by Member in consideration of the execution of similar membership agreements by other producers of tomatoes situated throughout the State of California and in consideration of the services to be performed by the Association as hereinafter set forth.

2. **Duration of Membership Agreement; When Operative.** Subject to Member's right to withdraw as provided in paragraph 8 hereof, and subject to the Association's right of termination as provided in the Association's by-laws, this Agreement shall be for a period of two (2) crop years beginning with the crop year in which the Board of Directors of the Association determines that this agreement is first operative, and shall be extended from time to time thereafter for additional periods of two (2) crop years unless written notice of withdrawal is received by the Association prior to November 1 of the last year of the current membership agreement period. This contract shall become operative only if Members representing 65% of the acres planted to processing tomatoes in the previous crop year in the State of California have signed and delivered to the Association contracts similar to this one, and if Members representing said acreage do not sign and deliver to the Association contracts similar to this one, then and in such event this contract shall be null and void and of no further force or effect.

The determination of the Board of Directors of the Association in regard to the acreage planted to processing tomatoes in the previous crop year in the State of California represented by Members of the Association signing and delivering to the Association contracts similar to this one, and the dates upon which such contracts become effective shall be final and conclusive and binding upon the parties hereto.

3. **Sale and Delivery of Tomatoes.** During the term of this contract, Member shall sell and deliver all processing tomatoes to be produced by or for him or in which he has any interest whatsoever whether it is as landlord or tenant or otherwise, only upon such minimum terms and conditions as Association shall fix and establish and approve, and Member shall not sell or deliver or permit to be delivered any processing tomatoes produced by or for him other than in accordance with this Contract. Notice of such approval shall be given to Member by Association by United States mail addressed to Member at his post office address appearing on the records of Association.

4. **Services of Association.** Association, as the exclusive bargaining agent for Member, shall have the exclusive authority, right and power during the term of this Contract, without taking title, to establish and fix (including the authority to change and amend) and to approve the minimum terms and conditions of sale or of the Contract of sale of all of the processing tomatoes produced by or for Member and other members who have executed contracts similar to this one, and the minimum terms and conditions of sale or of the Contract of sale shall be fixed and established and approved by Association in such form and manner and at such price as Association deems for the best advantage of all members who have signed such similar contracts. Association shall during the term of this Contract perform its services for Member to the best of its ability under economic and marketing conditions from time to time existing.

In performing the bargaining service herein specified, Association shall solicit for and on behalf of its members contracts which it will approve with the greatest possible number of processors of processing tomatoes and brokers thereof, and diligently attempt to procure the largest possible market for the members' processing tomatoes.

5. **Approved Contract.** Each year during the term of this Contract, Association shall for the purpose of establishing or fixing the minimum terms and conditions of sale of the processing tomatoes of Member to any person, firm or corporation, prescribe or approve the form and substance of the Purchase and Sales Agreement to be entered into and executed by and between Member and the buyer of Member's processing tomatoes, and such contract shall be designated as an "Approved Contract."

During the term of this Contract, Member shall not sell any processing tomatoes to any buyer except pursuant to a Purchase and Sales Agreement approved by Association and designated as herein provided. Each year after Association has established and fixed the minimum terms and conditions of sale and has prescribed or approved the form and substance of the Purchase and Sales Agreement to be entered into between Member and the buyer of Member's processing tomatoes, Association will approve at the request of Member a Purchase and Sales Agreement for Member's processing tomatoes for that year complying with the terms and conditions fixed and established by Association and which is in the form and substance prescribed or approved by Association.

6. **Payment.** During the term of this contract, the buyer of Member's processing tomatoes shall make payment directly to the member for all tomatoes sold by Member to the buyer less the maximum amount of Fifteen Cents ($.15) per ton for all tomatoes delivered by the Member (hereinafter referred to as "the deducted amount") which amount Member hereby authorizes and directs to be deducted by the buyer of his tomatoes from the gross sales price, and paid by the buyer directly to the Association. Such deducted amount shall be paid to and used by the Association for the actual and necessary bargaining expense of Member's tomatoes and also for the general maintenance and support of the Association.

7. **Other Services.** Association shall, to the best of its ability, furnish to its members such other services in the nature of information, data and statistics pertaining to production, marketing and utilization of tomato crops as may from time to time be currently available.

Association shall represent Member and other members in matters relating to the improvement of conditions respecting the production, marketing, utilization and grading of canning or processing tomatoes.

8. **Member's Right of Withdrawal.** Member may file with the Association on or before November 1 of the last year of the then current period that this Agreement is in force, a written notice of withdrawal and the Association shall thereupon give a

written release to Member and thereupon this Agreement shall be cancelled as to Member with respect to all succeeding years of the contract period, and the Association is given the reciprocal right to give written notice to Member at any time during the month of March in any of said years of its desire to withdraw from the Agreement, and thereupon this Agreement shall be cancelled as to Member with respect to all succeeding years of the contract period.

9. **Articles of Incorporation, Etc.** Member shall comply and abide by the provisions of the Articles of Incorporation and the By-Laws of Association and all amendments thereto that may from time to time be hereafter adopted, and all rules and regulations that may from time to time be adopted by the Board of Directors of Association.

10. **By-laws Acceptance and Approval.** Inasmuch as the signature of the original by-laws adopted by the Association and by each and all of its members would be difficult and impracticable, Member hereby agrees with the Association that by the execution of this Agreement he acknowledges the receipt of a full, true and correct copy of the by-laws of the Association and does hereby give his full assent to and approval thereof, with like force and effect as if Member's signature had been affixed to the original of said by-laws.

11. **Information from Member.** At such times as Association may request during the term of this Contract, Member shall promptly notify Association in writing of the location of his tomato crop, the number of acres planted to tomatoes, the varieties of tomatoes planted, his estimated production, and such other information as the Association may deem necessary.

12. **Liquidated Damages.** It is understood and agreed that this Contract is one of many marketing contracts generally similar in substance and form entered into and executed by and between other members and Association who together with Member are mutually and individually obligated to each other through the Association; and Association shall be deemed to be acting in its own name for and on behalf of all such members in carrying out and enforcing such contracts in any action or legal proceedings arising therefrom.

The true value of this Contract, and all similar marketing contracts executed by other members and Association, depends upon the adherence of each and all of the contracting members to each and all of said contracts, and Association and its members would be materially damaged by the breach of this Contract. In case of the breach of this Contract, it would be extremely difficult and impracticable to calculate with mathematical accuracy the exact amount of damages, and, therefore, it is specifically agreed that Member will pay to the association an amount equal to twenty-five percent (25%) of the gross sales proceeds for all processing tomatoes sold or otherwise disposed of by or for Member contrary to the provisions of this Contract, which amount is agreed to be reasonable and liquidated damages.

13. **Breach or Cancellation of Other Contracts.** The breach or cancellation of a similar bargaining contract or contracts entered into by Association with one or more other members shall in no manner impair or affect the obligations under this Contract, or the mutuality of interests hereunder created.

14. **Successors and Assigns.** This Agreement shall bind the heirs, administrators, successors and assigns of the respective parties hereto. Therefore, no sale, transfer, lease or other conveyance of land by member for the purpose of evading directly or indirectly his obligations hereunder shall discharge any obligations herein created.

15. **Counter-Part Execution.** This Agreement and all similar agreements executed by other members shall be deemed counter-parts of one and the same contract, but each Member shall be severally liable for the full performance of the contract signed by him. This Agreement shall not be effective for any purpose unless and until the execution and delivery hereof by the Association shall have been authorized or ratified by the Board of Directors of the Association.

16. **Partnership Member.** If this Agreement is signed by a member or the members of a co-partnership, it shall apply to them and to each of them individually in the event of a dissolution or termination of said co-partnership.

17. **Bona-fide Transfers.** In case of a bona-fide transfer made by Member during the term of this Agreement of all or any portion of the land upon which the products subject to this Agreement are produced, all products produced upon the lands so transferred shall be delivered subject to this Agreement during, but not beyond, the calendar or crop year in which such transfer shall have been made, and such transferee shall be obligated to deliver said products hereunder. If the transferee shall fail to deliver said products, Member shall pay to the Association liquidated damages as herein provided with respect to all products not so delivered by such transferee, and, in addition, the Association shall have any other remedy given to it by law or by this Agreement.

18. **Performance Excused.** In the event the Association is prevented in any year from performing the terms of this Agreement by strikes, injunctions or the orders of any officer or regulatory body of any governmental agency having jurisdiction in the premises, it shall be excused from such performance, and Member, in such case, shall have no right of damages against the Association.

19. **Exclusive Agreement.** The parties hereto agree that there are no oral or other promises, conditions, convenants, representations or inducements in addition to or in variance with any of the terms hereof and that this Agreement represents the voluntary and full understanding of both parties.

20. **Costs of Legal Action.** If Association brings any action to enforce any of the provisions hereof or to secure specific performance hereof, or to collect damages of any kind for any breach hereof, Member shall pay to Association all costs, premiums for bonds, expenses and fees including any reasonable attorney's fees expended or incurred by Association in any such proceedings, and all such costs, expenses and fees shall be included in the judgment.

21. **Governing Law.** The terms of this Agreement shall be construed in accordance with the laws of the State of California.

22. **Notices.** All notices herein provided for shall be deemed to have been given to the Association when mailed, first class, postage prepaid, to its office in Stockton, California, and to Member when mailed, first class, postage prepaid, to his address as noted hereon, or to such other address as may from time to time be furnished in writing by either party to the other.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in triplicate the day and year first above written.

CALIFORNIA TOMATO GROWERS ASSOCIATION, INC.

By: _____ Member: _____

Accepted at: _____ Address: _____ City: _____

this _____ day of _____ , 19 __ ,
in accordance with a resolution duly adopted by the Board of Directors.

County: _____ State: _____

By: _____ I declare my voting district to be: _____
Secretary

4. Processing Apple Membership and Marketing Agreement, Processing Apple Growers Division of Michigan Agricultural Cooperative Marketing Association, Inc.

THIS AGREEMENT is entered into between Michigan Agricultural Cooperative Marketing Association, Inc., an agricultural cooperative incorporated under the laws of the State of Michigan (hereinafter called "association"), and the undersigned producer (hereinafter called "member").

In consideration of the mutual promises, covenants and conditions to be kept and performed by the parties hereto, the parties agree as follows:

1. The member hereby appoints and employs the association as his exclusive sales agent as herein provided to market all apples to be grown or produced by him, or for him, or acquired by him as landlord or tenant that he hereafter may have to dispose of each season for processing purposes during the life of this agreement, and the association accepts such appointment and employment to act as such exclusive sales agent.

2. The association agrees to negotiate sales on behalf of the member, to the best of its ability under economic and marketing conditions from time to time existing for all processing apples subject to this agreement.

3. The member agrees he will not dispose of or sell apples subject to this agreement except through the association as the exclusive sales agent. The member further agrees to deliver apples in accordance with the terms of such negotiated sales.

4. Shortly before harvesting time, the member shall indicate his choice of processor or handler and will furnish an estimate of the number of bushels of processing apples by variety he will have for processing, furnishing this information on forms supplied by the association, which shall be returned to the association on or before a date set by it. This information will be used by the association to plan sales and make composite offerings. The member may adjust estimate later by notifying the association.

5. The member agrees to pay the association for services rendered annually under this agreement a maximum of 5% of the gross sales price of all processing apples subject to this agreement. The service fee shall be set annually within such maximum by the Processing Apple Marketing Committee after determining the current financial needs of the association. The member authorizes purchasers of member's apples to deduct said percent of the gross sales price from member's gross sales proceeds and to remit such deduction to the association directly. The purchaser shall remit the balance of gross proceeds directly to the member. In the event the purchaser fails to or refuses to make deductions as authorized by the member, the member agrees to make payment directly to the association. The minimum fee payable by the member to the association shall be $10.00 per crop season payable on or before January 1 following harvest.

6. The association agrees to render, to the extent of its capacity and ability, such other services with reference to dissemination and distribution of information, data and statistics pertaining to the production, marketing and utilization of processing apples, as may, from time to time, be currently available.

7. If the member shall sell any processing apples covered by this agreement contrary to its provisions or shall sell any such apples other than through the association, it is agreed that such act will damage the association in an amount that is, and will be, impracticable and extremely difficult to determine and fix, and therefore, member agrees to pay the association three times the regular commission as liquidated damages for all processing apples that are disposed of contrary to this agreement, which damages may be recovered by the association in any court of competent

jurisdiction. In any suit based on this agreement, the association, if the prevailing party, shall be entitled to reasonable attorney fees and all costs of any such suit.

8. Each party hereto shall be excused from performance hereunder by reason of any cause beyond its reasonable control. Such causes shall include, but not by way of limitation, fire, storm, flood, earthquake, explosion, war, rebellion, insurrection, action of the elements, labor disputes, total or partial failure of transportation or delivery facilities, shortage of labor, raw materials or supplies, acts of God and any act of government or military authorities.

9. The member hereby authorizes and directs any processor, handler or other purchaser of processing apples to furnish the association, on its request at any time, complete information regarding processing apples received from the member or in his behalf, including the weight, grade, variety and quality thereof, amounts paid therefor and any other requested information.

10. Any fictitious sale or lease of a farm on which processing apples are grown by the member, or any other device entered into by him to avoid this agreement, shall be a violation thereof.

11. The member hereby applies for membership in the association, if not already a member thereof, and agrees to abide by the bylaws and policies thereof, and subscribes for one share of common stock of the association having a par value of $1.00 per share. The member authorizes the association to retain said share of stock on his behalf, and to effect a transfer of such stock on the books of the association from the member to the association at any time the member fails to fulfill all of the stock ownership eligibility requirements of the association. It is understood and agreed that the member is hereby designated as a member of the Michigan Processing Apple Growers Division of the association, and the member agrees to abide by the Rules of Organization and Operation (by laws) of such Division and by the decisions of its Processing Apple Marketing Committee.

12. This agreement shall continue in effect indefinitely unless cancelled as herein provided by one of the parties hereto. Either party hereto shall have the right to cancel this agreement by giving written notice to that effect by mail to the other party during the month of December of any year after this agreement has been in effect for at least one processing apple marketing season. Obligations of both parties shall end on December 31 of the year following the year in which notice of termination is received; provided, however that, at the discretion of the association, this agreement shall not be terminated upon notice given by the member until his financial obligations to the association under this agreement are paid in full.

13. This agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their respective heirs, legal representatives, successors, and assigns.

14. This agreement, by mutual consent of both parties, shall supersede any previous agreement consumated by the same parties for processing apples.

15. This agreement is one of many other marketing agreements similar in substance and form executed between other producers and the association, who are mutually and individually obligated to each other through the association. The association shall be deemed to be acting in its own name for and on behalf of all such producers in carrying out the provisions of such agreements.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto on this _____ day of _____ 19__.

_____ 1074 Agreement No.

(WITNESS SIGNATURE)

_____
(Farm Name)

_____
(Partners Names)

By _____
(Authorized Signature)

_____ _____
(Route No. & Box) (Street or Road & No.)

_____ _____ _____
(City) (State) (Zip Code)

_____ _____ _____
(County) (Area) (Telephone No.)

MICHIGAN AGRICULTURAL COOPERATIVE
MARKETING ASSOCIATION, INC.
7373 West Saginaw Highway, Lansing, Michigan 48917

_____ $1.00 for one share of MACMA voting stock
_____
_____ Subscriber is already a MACMA member
_____

_____
(Agent)

NOTE: Send all copies to Home Office. Duplicate will be returned after signing.

By _____
(General Manager)

5. Association-Handler Agreement, Processing Apple Growers Division of Michigan Agricultural Cooperative Marketing Association, Inc.

AGREEMENT

Memorandum of an agreement made and entered into this _____ day of _____ ,1978 by and between the Michigan Processing Apple Growers Division of Michigan Agricultural Cooperative Marketing Association, Inc. of 7373 West Saginaw, Lansing, Michigan, hereinafter referred to as the "Association", and _____ of _____ , hereinafter referred to as the "Handler".

WITNESSETH:

The Association, acting as sales agent for its members who are producers of processing apples as well as other producers included in the processing apple bargaining unit under Act 344 of the Public Acts of Michigan of 1972, as the accredited association under such Act, and the Handler, which proposes to purchase processing apples from such producers during the 1978 marketing season have arrived at an agreement as to the minimum base prices which the Handler shall pay to the producers for various varieties of processing apples delivered to it during the 1978 apple crop marketing season.

NOW, THEREFORE, in order to consummate such agreement, and in consideration of their mutual covenants and obligations, the parties agree, as follows:

1. The Handler shall pay to the producers referred to above for all processing apples delivered to it by such producers the amounts as listed below:

Peeler apples, U.S. No. 1 Processing Grade, for canning and freezing, 2 1/2 inches in diameter and up.

Spy Variety _____ per cwt. Soft Varieties _____ per cwt.

Hard Varieties _____ per cwt. Undersize _____ per cwt.

Preferred slicing varieties _____ per cwt. _____

Straight loads of apples for juice on a delivered basis _____ per cwt.

2. Unless other payment arrangements have been agreed upon between the Handler and the producers, and subject to the provisions of paragraph 3 herein, such payments shall be cash and made to the producers, respectively, following the delivery of the processing apples to the Handler. Scheduling, deliveries, grading, weighing and containers shall be handled under the same arrangements and practices as have been common in recent years within the industry in Michigan.

3. The Handler shall deduct two (2) percent of the gross sales proceeds paid to the producers referred to above for all processing apples used for peeling and or juice apples and remit the same promptly to the Association as a marketing fee in accordance with the membership and marketing agreement between the Association and its members and Public Act 344 referred to above. The Association shall provide the Handler with a list of its current members. The Handler also agrees to maintain a record of cwt. of apples delivered to it by the producers referred to

above, including the gross value of the processing apples and the marketing fees deducted, and to provide a recap of such information to the Association at the end of the season on a form supplied by the Association.

4. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

Witnesses:

Processing Apple Growers Division of
Michigan Agricultural Cooperative
Marketing Association, Inc.

_____ By: _____

_____
Title

_____

By: _____

_____
Title

6. Membership Agreement – Potato Growers of Idaho, Inc.

THIS AGREEMENT, between the POTATO GROWERS OF IDAHO, INC., a non-profit corporation of the State of Idaho, hereinafter called "Association," whose present mailing address is P.O. Box 949, Blackfoot, Idaho 83221 and _____

_____,

whose mailing address is _____

_____,

hereinafter called "Member," and who hereby applies for membership in Association,

WITNESSETH: That, in consideration of such application and its acceptance and the mutual covenants herein contained, it is agreed as follows, TO-WIT:

1. MEMBER AGREES:

A. Not to make or enter into any contract or agreement prior to the season date of any year for sale or delivery of contract potatoes except upon an approved contract form for that year in the district where the potatoes are to be delivered; provided this paragraph shall not be construed to prohibit crop share leases and crop mortgages in usual form.

B. To faithfully keep and perform all approved contracts made by Member.

C. To promptly provide Association, directly or through district officers as requested from time to time, information as to the location, acreage, varieties, estimated yield and production of Member's potato crop and acreage or quantity which Member is considering marketing under an approved contract for that season.

D. And hereby Sells, Assigns and Transfers to POTATO GROWERS OF IDAHO, INC., such percentage, not exceeding one-half of one percent (1/2%) of the gross sales price of my potatoes hereafter sold by or for me as may from time to time be fixed and determined to be my State and District Members Dues for my membership in said Association and authorize and direct all buyers of my potatoes hereafter during the term of my membership in said Association to deduct such amounts from the purchase price and pay the same for my account directly to the State Treasurer or other designated officers and agents of Assignee, provided that member agrees, in any event, to pay annual dues of Ten Dollars ($10.00).

E. To abide by and comply with the Articles of Incorporation, By-Laws and rules and regulations of Association, and all amendments thereto that may from time to time be hereafter adopted not inconsistent herewith, and the same shall be deemed part of this agreement as fully as if set out herein at length.

F. To pay all costs and expenses, if any, incurred by Association, including reasonable attorney's fees, for any successful action or proceeding to enforce any of the terms of this agreement.

2. ASSOCIATION AGREES:

A. To negotiate each year before the season date with buyers of contract potatoes in each district and, with the approval of the majority of the district directors, to determine and procure the best possible approved contracts for each district for that year.

B. To furnish to Member, to the best of the ability of Association's officers, information, data and statistics as may from time to time be currently available pertaining to production, marketing and utilization of potato crops in Member's district.

C. To keep records of receipts and disbursements of the Association and its districts, and report a summary thereof to Member at least annually.

3. ASSOCIATION AND MEMBER MUTUALLY AGREE:

A. Whenever the terms "contract potatoes," "season date," "approved contract," and "Member's dues" are used in this agreement, they shall be given the same meaning as in the by-laws in effect at the time.

B. To promote the purposes and objectives of Association and the general mutual welfare, upbuilding and improvement of the Idaho potato industry.

C. That this agreement is one of many membership agreements generally similar in substance and form which shall be considered as mutual agreements with each and every other Member as well as with the Association, and that this agreement may be enforced by the Association or by any other Member acting in the name of the Association and for and on behalf of all other Members. The true value of this agreement and all similar membership agreeements executed by other Members with the Association depends upon the adherence of each and all of the contracting Members to each and all of the terms of said membership agreement, and Association and its Members would be materially damaged by any breach of this agreement. In case of breach of this contract, it would be extremely difficult and impracticable to calculate with mathematical accuracy the exact amount of damages, and therefore it is specifically agreed that in the event of any breach of this contract by Member, Member will pay to the Association an amount equal to ten percent (10%) of the gross sales proceeds of all contract potatoes sold or otherwise disposed of by or for Member contrary to the provisions of this agreement, which amount is agreed to be reasonable and liquidated damages.

D. This agreement shall be binding upon and inure to the benefit of both parties hereto, their respective administrators, executors, heirs, successors, devisees, legatees, assigns, and also the spouse of Member.

E. This agreement may be terminated by the termination of Member's membership in the Association, as provided in the By-Laws, but such termination shall not relieve the Member of Member's obligations to comply with the terms of this agreement until Member has marketed all potatoes planted, raised or harvested by or for Member during the calendar year in which such termination occurs.

F. The terms of this agreement shall be from the date hereof until and including the last day of August 19 and shall be automatically renewed for successive terms of twelve months each thereafter unless on or before the first day of September preceding the end of such term or any renewal thereof, one party gives the other written notice of election not to renew by depositing such notice in any United States Post Office properly addressed with postage prepaid.

G. There are no oral or other promises, conditions, covenants, representations or inducements in addition or in variance with any of the terms hereof, and this contract represents the voluntary and full understanding of the parties.

DATED AND EXECUTED IN TRIPLICATE this _____ day of _____ , 19___POTATO GROWERS OF IDAHO, INC.

BY: _____ _____

Agent — Witness Member

7. Membership Agreement, National Farmers Organization Corning, Iowa 50841

Name _____ or _____ Date _____
Print or Type

County _____ Township _____ State _____

ARTICLE I—AUTHORIZATION

I authorize the National Farmers Organization (hereinafter referred to as the N.F.O.) its agents or representatives to act for me as my exclusive representative in collective bargaining in respect to all commodities marketed from my farm, with the exception of those commodities presently covered by other marketing contracts, and to enter into contracts with the processors of products I own and control covering the selling prices and other conditions of disposal, and establish marketing procedure. I further authorize the said organization to act as my exclusive representative in the presentation, prosecution and adjustment of any complaint that I may have against the processor of the commodities of my farm, in accordance with and subject to the rights and privileges granted me by the By-laws of the N.F.O.

This authorization and direction shall be irrevocable for a period of three (3) years from the date appearing above. I agree and direct that this authorization and direction shall be automatically renewed and shall be irrevocable for successive periods of three (3) years each unless written notice is given by me to the N.F.O. not more than twenty (20) days and not less than ten (10) days prior to the expiration of each three (3) year period. This authorization is made pursuant to the provisions of the Capper-Volstead Act enacted February 18, 1922.

ARTICLE II—NATIONAL N.F.O. COMMODITY DEPARTMENTS

Sec. 1—The Board of Directors of the N.F.O. shall create National Commodity Departments for Dairy, Grain, and Meat. Miscellaneous commodities may be assigned by the Board of Directors to any one of the three established Commodity Departments.

Sec. 2—The President of the N.F.O. shall appoint a Department Head who shall be known as a Director, and staff for each of the National Commodity Departments, subject to the approval of the Board of Directors. The Board of Directors shall have the power to remove a director or staff members of a Commodity Department.

Sec. 3—The National Commodity Departments shall be under the direction of the President and responsible for carrying out the intent of this Agreement and administrative policy established by the Board of Directors.

Sec. 4—The National Commodity Departments shall have the responsibility of assisting the Marketing Area Bargaining Committees in their negotiations with the processors and coordinate the activities of all Area Marketing Committees.

Sec. 5—The National Commodity Departments shall at the direction of the Board of Directors make plans for effective marketing procedures to be submitted to the Marketing Area Bargaining Committees for their consideration.

ARTICLE III—MARKETING AREAS

Sec. 1—The President and the Board of Directors shall establish marketing areas for each commodity based on area of supply of key markets.

Sec. 2—Bargaining with processors in each marketing area shall be done by elected Marketing Area Bargaining Committees under the supervision of the Executive Board and with the assistance of the National Commodity Departments.

Sec. 3—Contracts consummated with processors shall cover only members of the marketing area who have signed membership contracts with the N.F.O.

Sec. 4—Marketing areas may from time to time be changed to provide better service for the membership.

ARTICLE IV—MARKETING AREA BARGAINING COMMITTEES

Sec.1—When in the opinion of the Board of Directors of the N.F.O. sufficient contracts have been signed covering a specific commodity to be effective in collective bargaining, the President shall call a meeting of the members of County Bargaining Committees who represent the commodity in each zone of the marketing area for the purpose of electing a member of the Area Bargaining Committee and an alternate member who shall serve as a member of the Area Bargaining Committee when the regular member is unable to serve.

Sec. 2—The Board of Directors shall divide each marketing area into seven (7) geographical zones for the purpose of distribution of bargaining committee representation.

Sec. 3—Each Marketing Area Bargaining Committee shall be composed of seven (7) members, one from each of the geographic zones of the marketing area.

Sec. 4—The term of office of the bargaining committee members and alternates shall be for a period of one year.

Sec. 5—The Marketing Area Bargaining Committee shall be responsible for the bargaining with the processor for the commodity they represent within their marketing area under the direction of the Board of Directors and the assistance of the National Commodity Department.

Sec. 6—The Marketing Area Bargaining Committee shall meet and counsel with the County Bargaining Committees as provided herein and at other times that they deem necessary.

ARTICLE V—COUNTY BARGAINING COMMITTEES

Sec. 1—Each county organized under the N.F.O. shall call meetings and elect a bargaining committee composed of a chairman and four members for each commodity represented by the N.F.O. in the county, such committees to be for Dairy, Grain, and Meat.

Sec. 2—Anyone who is an N.F.O. member producing farm products for which a bargaining committee is established is eligible to vote for members of the bargaining committee. However, in order to be elected to a bargaining committee, a member of the N.F.O. must be able to furnish ample proof that a substantial part of his farm income is derived from the commodity that the bargaining committee represents.

Sec. 3—County Bargaining Committees shall gather information and determine fair prices for the agricultural commodities which their committee represents.

Sec. 4—The Marketing Area Bargaining Committee shall, before entering into negotiations with a processor, call a meeting of the County Bargaining Committee for the commodity they represent, and by a two-thirds' vote of those attending this meeting shall determine the fair price for the commodity to be bargained for with the processor.

Sec. 5—From time to time, Marketing Area Bargaining Committees may call meetings of the County Bargaining Committees to report on the status of negotiations and seek their advice.

Sec. 6—The County Bargaining Committee shall be responsible for organizing farmers in their counties who produce the commodity they represent.

Sec. 7—The County Bargaining Committees may at times be called by the Area Marketing Committee to represent the organization in collective bargaining with processors of their commodity.

ARTICLE VI—RATIFICATION OF MARKETING CONTRACTS

Sec. 1—No contract consummated with a processor shall be effective or binding until it has been ratified by a two thirds' vote of members in a marketing area who have signed contracts with the N.F.O. for the commodity, attending a meeting called for that purpose by the Marketing Area Bargaining Committee and has been approved by the Board of Directors of the N.F.O.

Sec. 2—If a marketing procedure is formulated for a marketing area, it will require the same ratification as contracts with processors.

Sec. 3—It will be the responsibility of the Marketing Area Bargaining Committee to give at least ten days' notice to members who have signed marketing contracts, by first class mail, to the address shown on this contract, giving date, time and place of meetings on any issue requiring ratification of N.F.O. members.

ARTICLE VII—MARKETING REQUIREMENTS

Sec. 1—Until such time as a contract has been consummated with the processor for a commodity I own or control in accordance with the provisions of this agreement; or until a marketing procedure has been established for a commodity and ratified in accordance with the terms of this agreement, a member shall be free to market his commodity as he chooses.

Sec. 2—When a contract has been consummated in accordance with the terms of this agreement covering a member's commodity, and he sells this commodity to a processor other than the one specified by the agreement, the member shall be assessed 10% of the gross sale of the commodity for liquidated damages.

Sec. 3—A member may request his Marketing Area Bargaining Committee to waive provisions of this agreement in instances arising that were unforeseen at the time of the signing of this agreement. The Area Marketing Committee must make a complete report on all such cases to the N.F.O. Board of Directors, on waivers granted. The Board of Directors shall have authority to revoke a waiver if, in their opinion, the waiver is not justified.

ARTICLE VIII—QUOTAS

Sec. 1—If quotas should become necessary on members under contract, they will be determined by the same democratic procedure that the fair-price formula was determined and shall require the same procedure of ratification, membership and approval of the Board of Directors as the contract with the processor before becoming effective.

Sec. 2—If quotas are established they will be based on contracts with processors for a specific quality and quantity of products and quotas will be based on quality, bushel and poundage basis and good land practices and ratio instead of crop history, and administered by the establishment of pools based on quality.

Sec. 3—This to be financed, if necessary by additional deductions at the processor level from commodities marketed.

Sec. 4—To implement the provisions of the other Sections of this Article, approval must be obtained from the members affected, in accordance with Article VI of this agreement.

Sec. 5—By a two-thirds' vote of N.F.O. members attending county meetings of which due notice has been given by the County Bargaining Committee at least ten days in advance of the meeting to the affected member giving date, time and place and purpose of meeting, an additional surplus disposal amount shall be checked off at the processor level, either for buying farm products and channeling to needy worthwhile organizations, or to form welfare agencies or others the N.F.O. may find necessary to keep production in balance with consumption.

ARTICLE IX—MEMBERSHIP DUES AND FEES

Sec. 1—The membership dues of the N.F.O. shall be $15.00 per year, or such amount as may hereafter be established by the N.F.O., which shall be due and payable to the Treasurer of the member's county organization, at the date of making application for membership in the N.F.O., and yearly thereafter, as prescribed by the By-Laws of the organization.

Sec. 2—A member shall be assessed $60.00 at the time of signing this contract and yearly thereafter by the N.F.O., which shall be used as directed by the Board of Directors to defray expenses incurred in carrying out a program of effectuating collective bargaining with the processor, and other activities in the best interest of the membership of the organization to be determined by the Board of Directors of the N.F.O.

Sec. 3—When a marketing contract has been consummated by the N.F.O. covering a member's commodity, it shall provide that the processor check off 1% of the gross sales of the commodity for the N.F.O. This amount shall then become the member's dues and shall replace the dues and fees otherwise prescribed above in Sections 1 and 2.

ARTICLE X—RESPONSIBILITY OF THE N.F.O.

Sec. 1—The N.F.O. shall not become legal owner or engage in business activities but must remain within the framework of a service organization bargaining for its members who have signed marketing contracts.

Sec. 2—The Board of Directors of the N.F.O. shall decide on all questions involving interpretation of this agreement and make decisions on matters arising not covered by this agreement between conventions.

ARTICLE XI—RESPONSIBILITY OF MEMBER

Sec. 1—I agree to be bound by the terms of this agreement as herein provided, and further agree to comply with the decisions made by the membership and Board of Directors of the N.F.O., as herein provided.

Sec. 2—I agree to process any complaint I have against the N.F.O., its officers or members in accordance with the terms of the By-laws of the N.F.O.

ARTICLE XII—MODIFICATION

It may become necessary during the life of this agreement to change or modify certain Articles, or make amendments to it. In the event this becomes necessary, it will require a two-thirds' vote of members in attendance at marketing area meetings called for that purpose, which notice has been given in accordance with Article VI, Section 2 of this agreement.

Witness _____

Member's Legal Signature _____

Mailing Address _____ State _____

WHITE	CANARY	PINK
National N.F.O. Copy	County N.F.O. Copy	Member's Copy

8. Commodity Participation — Membership Agreement — One Year Only, National Farmers Organization, Corning, Iowa 50841

Date _____

Name _____ or _____

County _____ Township _____ State _____

I understand this agreement gives me the right to commit my agricultural production with other members through the Collective Bargaining Programs of the National Farmers Organization (NFO); hereafter referred to as organization; which the organization agrees to engage in, for and on behalf of its members, to the best of its ability.

I understand I am free to market my production as I choose, until such time that I voluntarily complete a supplemental agreement or make other commitments, through the organization's collective bargaining programs, covering my production.

This membership agreement is for a period of one year and shall be automatically terminated one year from date of this agreement.

The membership dues shall be $75.00 per year. Such dues shall be distributed on a pro-rata basis to the County, District, State and National organizations as outlined in the Bylaws of the organization.

I understand I shall have all voting rights and other privileges of any other member. However, I am not eligible to hold a District, State or National office unless and until I sign a three-year membership agreement.

The organization shall not become legal owner or engage in business activities normally engaged in by a corporation in private enterprise for profit, but the organization shall remain within the framework of a service organization bargaining as an agent in behalf of its members. As the duly elected representatives of the members, the Board of Directors of the National Farmers Organization shall decide on all questions involving interpretation of this agreement, and I agree to be bound by the decisions of the Board of Directors. I further agree to process any complaint against the organization, its officers, or members in accordance with the terms of the Bylaws of the organization.

Witness _____

Member's Legal Signature _____

Address _____

_____

City State Zip

Telephone No. _____

(include area code)

Soc. Sec. No. (If Corp., tax ID No.) _____

FOR INFORMATION ONLY:

Please list commodities normally sold from your operation in order of importance to you:

Green - National NFO copy; Blue - County NFO copy; Goldenrod - Member's copy

Appendix B
State Legislation

1. Michigan Agricultural Marketing and Bargaining Act

AN ACT to permit producers of agriculture commodities to be represented by associations; to create an agricultural marketing and bargaining board; to provide for the accreditation of associations; to establish obligations on the part of handlers and associations; to provide for arbitration; to define unfair practices; and to prescribe penalties.

§ **290.701** Agricultural marketing and bargaining act; short title.

Sec. 1. This act shall be known and may be cited as the "agricultural marketing and bargaining act".

§ **290.702** Definitions.

Sec. 2. As used in this act:

(a) "Association" means a cooperative association of producers or a division thereof, or federation of cooperative associations of producers engaged in the marketing, bargaining, shipping or processing functions of an agricultural commodity on behalf of its members who are producers of such agricultural commodity.

(b) "Accredited association" means an association accredited in accordance with this act.

(c) "Person" means an individual, partnership, corporation or association.

(d) "Board" means the agricultural marketing and bargaining board created in section 3.

(e) "Producer" means any person who produces or causes to be produced in any 1 marketing period within the previous 2 marketing periods, any agricultural commodity in quantity beyond his own family use and having a minimum value at first point of sale as detemined by the board for that agricultural commodity, and who is able to, during the marketing period transfer to a handler or an association a merchantable title to the agricultural commodity or provide management, labor, machinery, facilities or any other production input, with the assumption of risk, for the production of agricultural commodity under a written or oral contract.

(f) "Agricultural commodity" means all perishable fruits and vegetables as defined by the board. The kinds, types and subtypes of products to be classed together as an agricultural commodity for the purposes of this act shall be determined by the board on the basis of common usage and practice.

(g) "Handler" means a person other than an association engaged in the business or practice of acquiring agricultural commodities from producers or associations for processing or sale; grading, packaging, handling, storing or processing agricultural commodities received from producers or associations; contracting or negotiating contracts or other arrangements, written or oral, with producers or associations with respect to the production of any agricultural commodity; or acting as an agent or broker for a handler in the performance of any function or act specified above. It does not include a producer who sells at a retail establishment which he owns and operates or who sells directly to consumers at a produce market, agricultural commodities produced by him and agricultural commodities produced by another producer subject to value limitation established by the board.

(h) "Marketing period" for an agricultural commodity shall be a period of time determined by the board during which producers normally deliver for sale to handlers or contract with handlers for the production and future delivery for sale of substantially all of a crop or periodic production of the agricultural commodity.

(i) "Member" means a producer who has entered into a contract with an association appointing the association as his exclusive agent in negotiations with handlers with respect to the marketing of an agricultural commodity.

§ **290.702a** Exclusion sales.

Sec. 2a. Any sale of a commodity by a producer to another producer for his own exclusive use and not for resale or any sale of fresh market produce directly to a consumer or to a retail store or stand for resale to consumers shall be excluded from the provisions of this act.

§ **290.703** Agricultural marketing and bargaining board; duties; rules.

Sec. 3.

(1) An agricultural marketing and bargaining board is created within the department of agriculture. The board shall administer this act.

(2) The board consists of 5 individuals who shall be citizens of the state appointed by the governor with the advice and consent of the senate, not more than 3 of whom shall be affiliated with the same political party. A minimum of 2 members of the board shall derive a substantial portion of their livelihood from agricultural enterprises. One member shall be considered a lay person, neither a producer, nor handler, nor a member of an association, as defined under this act. The governor shall designate 1 member of the board to serve as chairman of the board. The original board shall be composed of 2 members of the board for a 1-year term, 1 member of the board for a 2-year term, 1 member of the board for a 3-year term and 1 member of the board for a 4-year term. The governor shall indicate the length of term when making the appointment of the original board. Thereafter, as the term of each member of the board expires, the governor, with the advice and consent of the senate, shall appoint a successor to serve for a term of 4 years. An individual appointed to fill a vacancy caused by other than expiration of the term shall be appointed only for the unexpired term of the member of the board whom he shall succeed.

(3) A member of the board may be removed by the governor, upon notice and hearing, for neglect of duty, or for corrupt conduct in office, or for any other misfeasance or malfeasance but for no other cause.

(4) A vacancy in the board shall not impair the right of the remaining members to exercise all of the powers of the board. Three members of the board constitutes a quorum.

(5) Members of the board are entitled to receive a per diem fixed by the legislature and all necessary traveling and subsistence expenses incurred while attending meetings of the board or engaged in the performance of official responsibilities delegated by the board or such other amounts as may be appropriated by the legislature.

(6) Services for implementing this act shall be provided by the department of agriculture from appropriations made therefor by the legislature.

(7) The board may promulgate rules necessary for the administration of this act in accordance with the subject to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Compiled Laws of 1948.

§ **290.704** Unfair practices; complaints; hearings; findings.

Sec. 4.

(1) Producers of agricultural commodities are free to join together voluntarily in associations as authorized by law without interference by handlers. A handler shall not engage nor permit an employee or agent to engage in any of the following practices, defined as unfair practices:

(a) To coerce a producer in the exercise of his right to join and belong to or to refrain from joining or belonging to an association or to refuse to deal with a producer because of the exercise of his right to join and belong to an association except as provided in section 15.

(b) To discriminate against a producer with respect to price, quantity, quality or other terms of purchase, acquisition or other handling of agricultural products because of his membership in or contract with an association.

(c) To coerce or intimidate a producer to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with a handler.

(d) To pay or loan money, give anything of value or offer any other inducement or reward to a producer for refusing or ceasing to belong to an association.

(e) To make or circulate unsubstantiated reports about the finances, management or activities of associations or handlers.

(f) To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this act.

(g) To refuse to bargain with an accredited association with whom the handler has had prior dealings or with an accredited association whose producers in the bargaining units have had substantial dealing with the handler prior to the accreditation of the association.

(h) To negotiate with a producer included in the bargaining unit after an association is accredited.

(2) An association shall not engage nor permit an employee or agent to engage in the following practices, defined as unfair practices:

(a) To enter into a contract which discriminates against a producer represented by an accredited association whether or not he is a member producer.

(b) To act in a manner contrary to the by-laws of the association.

(c) To refuse to bargain with a handler with whom the accredited association has had prior dealing or with whom its producers have had substantial dealing prior to the accreditation of the association.

(d) To coerce or intimidate a handler to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with a producer.

(e) To make or circulate unsubstantiated reports about the finances, management or activities of other associations or handlers.

(f) To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this act.

(3) For the purpose of enforcing this act, the board may receive sworn complaints with respect to violations or threatened violations. The board may make all necessary investigations, examinations or inspections of any violation or threatened violation specified in the sworn complaint filed with the board. If, upon such investigation, the board considers that there is reasonable cause to believe that a person charged has committed a practice in violation of this act, the board shall issue and cause to be served a complaint upon the person in accordance with Act No. 306 of the Public Acts of 1969, as amended. The complaint shall summon the person to a hearing before the board or a member thereof or a hearing officer at the time and place fixed.

(4) If, upon a preponderance of the evidence, the board determines that the person complained of has committed a practice in violation of this act, it shall state its findings of fact and shall issue and cause to be served on the person an order requiring him to cease the violation and shall order further affirmative action as will effectuate the policies of this act.

(5) If, upon a preponderance of the evidence, the board is of the opinion that the person complained of has not committed a practice in violation of this act, it shall make its findings of fact and issue an order dismissing the complaint.

(6) Until the record in a case has been filed in a court, as provided in this act, the board at any time upon reasonable notice and in such manner as it deems proper, may modify or set aside, in whole or in part, any finding or order made or issued by it.

§ **290.705 Orders, enforcement; judicial review; stay of proceedings.**

Sec. 5.

(1) The board may petition the court of appeals for the enforcement of its orders, and for appropriate temporary relief or restraining order and shall file in the court the record in the proceedings. Upon the filing of the petition, the court shall cause notice to be served upon the person and thereupon shall have jurisdiction of the proceeding and of the question determined, and may grant temporary relief or restraining order as it deems just and proper and to make and enter a decree enforcing, modifying and enforcing as so modified, or setting aside in whole or in part the order of the board. An objection that has not been urged before the board, a member thereof or a hearing officer before whom a hearing was conducted shall not be considered by the court, unless the failure or neglect to urge the objection shall be excused because of extraordinary circumstances. The findings of the board with respect to questions of fact if supported by substantial evidence on the record considered as a whole is conclusive. If either party applies to the court for leave to adduce additional evidence and shows to the satisfaction of the court that the additional evidence is material and that there were reasonable grounds for the failure to adduce the evidence in the hearing before the board, the court may order additional evidence to be taken before the board, a member thereof, or hearing officer and to be made a part of the record. The board may modify its findings as to the facts, or make new findings, by reason of additional evidence so taken and filed and it shall file the modified or new findings, which findings with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall be conclusive, and shall file its recommendations, if any, for the modification or setting aside of its original order. Upon the filing of the record with it the jurisdiction of the court shall be exclusive and its judgment and decree shall be final, except that it shall be subject to review in accordance with established procedures for appeal.

(2) Any person aggrieved by a final order of the board granting or denying in whole or in part the relief sought may obtain a review of an order in the court of appeals, by filing in the court a written petition requesting that the order of the board be modified or set aside. A copy of the petition shall be transmitted by the clerk of the court to the board and the aggrieved party shall file in the court the record in the proceeding certified by the board. Upon the filing of the petition, the court shall proceed in the same manner as in the case of an application by the board under this section and shall have the same jurisdiction to grant temporary relief or a restraining order as it deems just and proper, and in like manner to make and enter a decree enforcing, modifying and enforcing as so modified, or setting aside in whole or in part the order of the board; the findings of the board with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall in like manner be conclusive.

(3) The commencement of proceedings under this section shall not stay enforcement of the board's decision by the board or the reviewing court may order a stay upon such terms as it deems proper.

§ **290.706 Bargaining unit; determination; criteria.**

Sec. 6.

(1) The board shall determine whether a proposed bargaining unit is appropriate. This determination shall be made upon the petition of an association representing not less than 10% of the producers of the commodity eligible for membership in the proposed bargaining unit as defined by the association. An association with an overlapping definition of bargaining unit may, upon the presentation of a petition by not less than 10% of the producers eligible for membership in the overlapping bargaining unit, contest the proposed bargaining unit. The board shall hold a hearing in accordance with Act No. 306 of the Public Acts of 1969, as amended, to resolve the dispute.

(2) In making its determination, the board shall define as appropriate the largest bargaining unit in terms of the quantity of the agricultural commodity produced, the definition of the agricultural commodity, geographic area covered and number of producers included as is consistent with the following criteria:

(a) The community of interest of the producers included;

(b) The potential serious conflicts of interests among members of the proposed unit;

(c) The effect of exclusions on the capacity of the association to effectively bargain for the bargaining unit as defined;

(d) The kinds, types and subtypes of products to be classed together as agricultural commodity for which the bargaining unit is proposed;

(e) Whether the producers eligible for membership in the proposed bargaining unit meet the definition of "producer" for the agricultural commodity involved;

(f) The wishes of the producers;

(g) The pattern of past marketing of the commodity.

§ 290.707 Association, conditions of accreditation.

Sec. 7. An association shall be accredited upon determination by the board that the association meets all of the following:

(a) The association meets the requirements of the Capper-Volstead act, 7 USC 291-2.

(b) The association has submitted a copy of its bylaws which provide that: Each member of the association shall have 1 vote in all votes of the membership of the association; that officers or directors shall be elected by a majority of the members voting or by delegates representing a majority of the membership; and that all elections shall be by secret ballot.

(c) The association has marketing and bargaining contracts for the current or next marketing period with more than 50% of the producers of an agricultural commodity who are in the bargaining unit and these contracts cover more than 50% of the quantity of that commodity produced by producers in the bargaining unit. The board may determine the quantity produced by the bargaining unit using information on production in prior marketing periods, current market information, and projections on production during the current market periods. The board shall exclude from that quantity any quantity of the agricultural commodity contracted by producers with producer owned and controlled processing cooperatives and any quantity produced by handlers. An association whose main purpose is bargaining but which processes a surplus into a form which is not the subject of bargaining is not a processing cooperative. The contracts with members shall specify the agricultural commodity and that the members have appointed the association as their exclusive agent in negotiations with handlers for prices and other terms of trade with respect to the sale and marketing of the agricultural commodity and obligate them to dispose of their production or holdings of the agricultural commodity through or at the direction of the association.

(d) The association has established and authorized a marketing and bargaining committee to negotiate with handlers for the agricultural commodity. The committee shall be comprised of members elected by the members in a secret ballot election. The production of the agricultural commodity shall comprise a significant portion of the total farming operation of each committee member. Members who have any quantity of the commodity contracted with a producer owned and controlled processing cooperative are not eligible to serve on a marketing and bargaining committee for such commodity.

§ **290.708 Application for accreditation; contents; fee; reports; confidentiality.**
Sec. 8.

(1) An association desiring accreditation shall file with the board a written request for accreditation in the form as required by the board. The request shall contain properly certified evidence that the association meets the standards for accreditation and shall be accompanied by a report of the names and addresses of members, the name of each handler to whom the member delivered or contracted to deliver the agricultural commodity during the previous 2 marketing periods and the quantity delivered. A fee to cover the costs of the board in processing the request shall be established by rule and paid by the association when the request is filed.

(2) The board may require all handlers of an agricultural commodity produced in the bargaining unit area as individuals or through their trade association to file with the board within 30 days following a request, a report, properly certified, showing the correct names and addresses of all producers of the agricultural commodity who have delivered the agricultural commodity to the handler during the 2 marketing periods preceding the filing of the report and the quantities of the agricultural commodity received by the handler from each named producer during the periods. The information contained in the individual reports of handlers filed with the board shall not be made public by the board nor available to any person for private use.

§ **290.709 Determination by board; hearing.**
Sec. 9.

(1) Within 60 days following the date of filing with the board a request for accreditation by an association, the board shall determine whether the association shall be accredited. If the board determines that insufficient evidence was filed by the association, the board may permit the association to file an amended request for accreditation within 30 days following the determination and notification of the association.

(2) Within 30 days following the board's preliminary finding that the association is to be accredited, the board shall hold a public hearing to obtain further evidence relevant to confirmation that the association is to be accredited. Producers of record involved in the bargaining unit shall be notified of the hearing by mail and publication in a newspaper of general circulation in the bargaining unit area at lease 10 days prior to the date of the hearing.

§ **290.710 Determination, publication; effective date; referendum; refiling.**
Sec. 10.

(1) The board shall issue and publish its determination within 30 days after the close of the hearing. If the determination of the board is to accredit the association, the board shall include a preliminary declaration of accreditation in its determination. The preliminary declaration of accreditation shall clearly state that the association shall represent all producers, members and nonmembers alike, who are in the bargaining unit and act as exclusive sales agents for the bargaining unit in negotiations with handlers. A producer covered in a declaration of accreditation may join the association and have full membership rights therein. Handlers shall deduct marketing service fees from the proceeds to be paid to producers for the agricultural commodity in the amount as determined by the association and forward the service fees promptly to the association. The fees shall be within guidelines determined by the board and shall be subject to review by the board upon petition by 15% of the affected producers.

(2) The accreditation of the association by the board shall be effective 30 days after the publication of the preliminary declaration of accreditation. The board shall delay the accreditation of the association whenever it receives during the 30-day period a petition signed by at least 1/3 of the producers in the bargaining unit who

produce at least 1/3 of the production of the agricultural commodity produced by the bargaining unit, exclusive of quantities contracted with processing cooperatives and produced by handlers, and requesting that the association should not be accredited. The board shall determine by a mail referendum of bargaining unit producers within 30 days following receipt of the petition if producers assent to the accreditation of the association. Producers in the bargaining unit shall be deemed to have assented to accreditation if more than 50% of the producers in the bargaining unit who produce more than 50% of the volume of the affected commodity assent to representation by the association.

(3) All affected producers, handlers and other interested parties shall be notified of the outcome of the referendum within 10 days following the referendum. Accreditation shall be effective immediately if producers assent. Accreditation shall be denied without the required assent of the producers.

(4) An association which is denied accreditation may not file another request for accreditation for a period of 1 year.

§ **290.711 Annual report; content.**

Sec. 11. An accredited association shall file an annual report with the board in such form as required by the board to determine if the association continues to meet the requirements of accreditation as provided in section 7.

§ **290.712 Revocation of accreditation.**

Sec. 12. To revoke the accreditation of an accredited association the board shall employ a procedure similar to the accreditation procedure set forth in sections 8, 9 and 10. Revocation of accreditation shall be considered by the board upon any of the following conditions:

(a) Upon receipt of a request from an accredited association for its own disaccreditation.

(b) Upon receipt of a petition requesting that the accredited association be disaccredited and bearing the signatures of at least 1/3 of the producers in the bargaining unit who produce at least 1/3 of the bargaining unit production of the agricultural commodity exclusive of quantities contracted with processing cooperatives and produced by handlers.

(c) A request for revocation of accreditation may not be accepted by the board during the marketing period or for a 60-day period prior thereto.

§ **290.713 Bargaining, defined; negotiations; terms included.**

Sec. 13.

(1) As used in this act, "bargaining" means the mutual obligation of a handler and an accredited association or their designated representatives to meet at reasonable times and confer and negotiate in good faith. The obligation does not require either party to agree to a proposal or to make a concession. An accredited association is the exclusive representative of all producers in the bargaining unit for the purpose of bargaining with all handlers that purchase the agricultural commodity produced in the bargaining unit. Negotiations may include all terms relative to trading between handlers and producers of the agricultural commodity such as:

(a) Prices and related terms of sale.

(b) Quality specifications.

(c) Quantity to be marketed.

(d) Transactions involving products and services utilized by 1 party and provided to the other party.

(2) The parties shall notify the board of the commencement of negotiations.

§ **290.714 Mediation of issues; mediator; employment; fee.**

Sec. 14.

(1) Upon the request of an accredited association or upon the request of a handler, the board shall provide for the mediation of the issues in dispute. The board shall take such steps as it deems expedient to effect a voluntary, amicable and expeditious adjustment and settlement of the differences and issues between the association and the handler which could disrupt the normal sale and purchase of the agricultural commodity between producers and the handler. The board shall:

(a) Arrange for, hold, adjourn or reconvene a conference or conferences between disputants and 1 or more of their representatives.

(b) Invite the disputants and their representatives to attend the conference and submit, orally or in writing, the differences between the disputants.

(c) Discuss the differences with the disputants or their representatives.

(d) Assist in negotiating and drafting agreements for the adjustment and settlement of differences.

(2) In implementing its duties under this section, the board may designate 1 of its members or retain a competent individual to act in its behalf and may delegate to the designee its duties, and for such purpose, the designee shall have all of the powers conferred upon the board in connection with the discharge of the duties so delegated. If the board seeks to retain an individual to mediate a dispute, it shall attempt to retain an individual who has experience in mediation and in agricultural marketing.

(3) Where an individual is retained, the board shall establish his fee in advance.

§ **290.715 Election not to buy or sell; result.**

Sec. 15. At any time prior to 30 days before the first day of the marketing period, if an agreement on the issues in dispute between the accredited association and the handler has not been reached, the handler may elect not to purchase, directly or indirectly, any quantity of the agricultural commodity produced in the bargaining unit during the marketing period or the affected producers may elect, as represented by the association, not to sell, directly or indirectly, any quantity of the agricultural commodity to the handler during the marketing period. If either party makes an election, the other party is not under an obligation to continue bargaining with the party so electing during that marketing period.

§ **290.716 Failure to elect; determination of quantity; arbitration committee.**

Sec. 16.

(1) If the election provided for in section 15 is not exercised by the association or the handler involved in negotiations, and if the issues in dispute are not agreed upon through good faith bargaining by the first day of the marketing period for the agricultural commodity, the parties shall be deemed to have consented to the settlement of all issues in dispute by arbitration and the association shall agree that producers shall deliver the agricultural commodity to the handler or initiate the production of the agricultural commodity for future delivery to the handler and the handler shall accept delivery of the agricultural commodity or shall commit for the future delivery of the agricultural commodity. Where the quantity of the agricultural commodity to be marketed is in dispute, the handler shall offer to accept for delivery a reasonable quantity of the agricultural commodity. This offer shall be made in writing to the accredited association at least 7 days prior to the start of the marketing period. A copy of this offer shall be sent by registered mail to the board. The accredited association may file a claim for relief with the board if it feels that the offer is unreasonable. The board shall determine the issue of reasonableness at a hearing in accordance with Act No. 306 of the Public Acts of 1969, as amended. This determination shall have priority over all other board matters. The board shall base its determination on: (a) Projections as to the quantity of the agricultural commodity to be

produced, (b) the relationship between the quantity of the commodity available and the amount of the quantity accepted by the handler, (c) the kind, grade, and quality of the commodity available, and (d) the past practices of the handler in relation to the items in subdivisions (a), (b) and (c). If, upon the preponderance of the evidence, the board is of the opinion that the quantity is unreasonable, it shall order the handler to accept the quantity which the board finds to be reasonable. The finding of the board shall be final, subject to later modification by the joint settlement committee. This finding shall be enforced in accordance with the provisions of section 5. Within 15 days following the start of the marketing period for the agricultural commodity, the board shall establish a joint settlement committee to arbitrate the issues in dispute.

(2) The committee consists of 1 committeeman selected by the association, 1 committeeman selected by the handler and 1 committeeman selected by the committeeman representing the association and the handler. This third committeeman shall be chairman of the committee. If the third committeeman cannot be agreed upon by the association and the handler committeeman, the board shall submit a list composed of the names of 5 persons knowledgeable in the marketing of the agricultural commodity from which the third committeeman shall be chosen. The selection shall be made by the association representative and the handler representative each striking 2 different names from the list. The remaining name shall be the person who serves as the third committeeman and as its chairman. The order of striking shall be determined by chance.

§ **290.717 Arbitration hearing; notice; intervenors; record; expenses; conclusion.**

Sec. 17. The chairman shall call a hearing to begin within 15 days and give reasonable notice of the time and place of the hearing. The chairman shall preside over the hearing and shall take testimony. Upon application and for good cause shown, and upon such terms and conditions as are just, a person, having a substantial interest therein may be granted leave to intervene by the committee. Any oral or documentary evidence and other data deemed relevant by the joint settlement committee may be received in evidence. The proceedings shall be informal. Technical rules of evidence shall not apply and the competency of the evidence shall not thereby be deemed impaired. A verbatim record of the proceedings shall be made and the chairman shall arrange for the necessary recording service. Transcripts may be ordered at the expense of the party ordering them but the transcripts shall not be necessary for a decision by the committee. The expense of the proceedings, including a fee to the chairman, established in advance by the board shall be borne equally by each of the parties to the dispute and the state. The hearing conducted by the arbitration panel may be adjourned from time to time, but, unless otherwise agreed by the parties, shall be concluded within 30 days of the time of its commencement. Its majority actions and rulings shall constitute the actions and rulings of the joint settlement committee.

§ **290.718 Arbitration committee; powers; oaths; subpoena; failure; penalty.**

Sec. 18. The committee may administer oaths, require the attendance of witnesses, and the production of such books, papers, contracts, agreements and documents as may be deemed by it material to a just determination of the issues in dispute, and for such purpose may issue subpoenas. If any person refuses to obey a subpoena, or refuses to be sworn or to testify, or if any witness, party or attorney is guilty of any contempt while in attendance at any hearing, the committee may, or the attorney general if requested shall, invoke the aid of any circuit court within the jurisdiction in which the hearing is being held, which court shall issue an appropriate order. Any failure to obey the order may be punished by the court as contempt.

§ **290.719 Committee's decision; time; mailing; limitation on award.**

Sec. 19. The committee within 20 days after the conclusion of the hearing or such further time to which the parties may agree shall make written findings of fact and issue its written award upon the issues presented to it and upon the record made before it, and shall mail or otherwise deliver a true copy thereof to the parties or their representatives. The award of the committee shall be limited to the last offer of the association or the last offer of the handler which more nearly complies with the criteria contained in section 20.

§ **290.720 Bases for committee's decision.**

Sec. 20. The committee shall base its decision upon the following factors:

(a) Prices or projected prices for the agricultural commodity paid by competing handlers in the market area or competing market areas.

(b) Amount of the commodity produced or projections of production in the production area or competing marketing areas.

(c) Relationship between the quantity produced and the quantity handled by the handler.

(d) The producers cost of production including the cost which would be involved in paying farm labor a fair wage rate.

(e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The impact of the award on the competitive position of the handler in the marketing area or competing areas.

(g) The impact of the award on the competitive position of the agricultural commodity in relationship to competing commodities.

(h) A fair return on investment.

(i) Kind, quality or grade of the commodity involved.

(j) Stipulation of the parties.

(k) Such other factors which are normally or traditionally taken into consideration in determining prices, quality, quantity and the costs of other services involved.

§ **290.721 Decision; finality; enforcement.**

Sec. 21. A majority decision of the committee, if supported by competent, material and substantial evidence on the whole record, shall be final and binding upon the parties, and may be enforced, at the instance of either party or of the committee in the court of appeals.

§ **290.722 Failure to obey order; penalty.**

Sec. 22. A party who willfully disobeys a lawful order of enforcement by the court of appeals pursuant to section 21, or willfully encourages or offers resistance to such order shall be in contempt. The punishment for each day the contempt persists, may be a fine fixed in the discretion of the court in an amount not to exceed $500.00 per day.

§ **290.723 Committee awards; judicial review.**

Sec. 23. Awards of the committee shall be reviewable by the court of appeals but only for reasons that the committee was without or exceeded its jurisdiction; the award is unsupported by competent, material and substantial evidence on the whole record; or the award was procured by fraud, collusion or other similar and unlawful means. The pendency of such proceeding for review shall not automatically stay the order of the committee.

§ **290.724 Negotiated contracts; copy to board.**

Sec. 24. Within 30 days after an accredited association negotiates a contract with a handler or receives a committee award, it shall send to the board by registered mail a copy of the contract or award.

§ **290.725 Board; right of access; enforcement; service of papers.**

Sec. 25.

(1) At all reasonable times the board shall have access to and the right to copy evidence relating to any person or action under investigation by it in connection with any failure or refusal to bargain or for engaging in unfair practices.

(2) In case of contumacy or refusal to obey a subpoena issued to any person, the circuit court, upon application by the board, shall have jurisdiction to order such person to appear before the board to produce evidence or to give testimony touching the matter under investigation, and any failure to obey such order may be punished by the court as a contempt.

(3) Complaints, orders and other processes and papers of the board may be served personally, by registered mail, by telegraph, or by leaving a copy thereof at the principal office or place of business of the person required to be served. The verified return of service shall be proof of the service. Witnesses summoned before the board shall be paid the same fee and mileage allowance that are paid witnesses in circuit court and witnesses whose depositions are taken and the person taking the same shall be entitled to the same fees as are paid for like services in circuit court.

(4) All processes of any court of which an application or petition may be made under this act may be served at any place in the state wherein the person or persons required to be served reside or may be found.

§ **290.726 Activities not in violation of antitrust laws.**

Sec. 26. The activities of accredited associations and handlers in bargaining with respect to the price and other terms of sale of the agricultural commodities produced by the members of such accredited associations do not violate any antitrust law of this state.

§ **290.727 Expiration of act; savings clause.**

Sec. 27. Repealed by Pub. Acts 1976, No. 155.

2. California Cooperative Bargaining Associations Act

Article	Section
1. Definitions and General Provisions	54401
2. Unfair Trade Practices	54431
3. Penalties	54461

Article 1

DEFINITIONS AND GENERAL PROVISIONS

Sec.
54401. Cooperative bargaining association.
54402. Public policy.
54403. Powers of director; hearings and investigations.
54404. Complaint; investigations, examinations or inspections.
54405. Injunction against violations; consolidation of actions.

§ 54401. Cooperative bargaining association

As used in this chapter, "cooperative bargaining association" means a farmer association which is organized and functioning pursuant to Chapter 1 (commencing with Section 54001) of this division, for the purpose of group bargaining between its producer members and the first handler or processor, with respect to the sale of any agricultural commodity except milk, cotton, or cottonseed.

§ 54402. Public policy

It is the public policy of the State of California to establish and support the right of any farmer to join voluntarily and belong to cooperate bargaining associations.

§ 54403. Powers of director; hearings and investigations

The director may exercise any or all of the powers which are conferred by Article 2 (commencing with Section 11180), Chapter 2, Part 1, Division 3, Title 2 of the Government Code upon the head of a department of the state with respect to hearings and investigations pursuant to this chapter.

§ 54404. Complaint; investigations, examinations or inspections

For the purpose of enforcing this chapter, the director may receive complaints from producers against any processor, handler, distributor, or any agent of such persons, or any other person, with respect to violations of the unfair trade practices which are specified in Section 54431.

Upon verification of the complaint, the director shall, or upon his own motion may, make any and all necessary investigations, examinations or inspections of any transaction which involves a suspected violation of any provision of this chapter.

§ 54405. Injunction against violations; consolidation of actions

The director may bring an action to enjoin the violation or threatened violation of any provision of this chapter in the superior court of the county in which such violation occurred or is about to occur. Actions against different defendants may be consolidated, in the discretion of the court, if the alleged violations are of the same provision, have occurred in the same or an adjoining county, relate to the same agricultural commodity, occurred in the same production season, and such consolidation can be done without prejudice to a substantial right of any defendant. Any proceedings which are brought pursuant to this section shall be governed in all other respects by Chapter 3 (commencing with Section 525), Title 7, Part 2 of the Code of Civil Procedure.

Article 2

UNFAIR TRADE PRACTICES

Sec.
54431. Acts constituting.
54432. Processors, handlers, etc.; refusal to negotiate or bargain; prior course of dealing.
54433. Cooperative bargaining association; refusal to negotiate or bargain.
54434. Business done among members of association; inapplicability of subd. (e) of § 54431.
54435. No specific negotiation time or agreement required of processors, handlers, etc. with association.

§ 54431. Acts constituting

It is an unfair trade practice, and unlawful, for any processor, handler, distributor, or agent of any such person, or for any other person to do any of the following:

(a) Interfere with, restrain, coerce, or boycott producers in the exercise of the rights which are guaranteed pursuant to Section 54402.

(b) Discriminate against any producer with respect to price or other terms of purchase of any raw agricultural commodity, by reason of the producer's membership in, or contract with, any cooperative bargaining association.

(c) Pay or loan money, or give any other thing of value, to a producer as an inducement or reward for refusing to, or ceasing to, belong to a cooperative bargaining association.

(d) Maliciously or knowingly give false reports about the finances, management, or activities of a cooperative bargaining association.

(e) Refuse to negotiate or bargain for price, terms of sale, compensation for commodities produced under contract, and other contract provisions relative to any commodity which a cooperative bargaining association represents. This subdivision only applies to a cooperative association which meets all of the following:

(1) That under the articles of incorporation or bylaws of the cooperative bargaining association, the association is producer owned and controlled exclusively by producers.

(2) The cooperative bargaining association has enforceable contracts with its members.

(3) The cooperative bargaining association has financial resources and management reasonably sufficient to accomplish the purpose for which it was organized.

(4) The cooperative bargaining association represents, through its own members, a sufficient number of producers or a sufficient quantity of any particular commodity, or both, to make it an effective agent for producers in bargaining with handlers.

(5) One of the functions of the cooperative bargaining association is acting as principal or agent for its producer members to negotiate or bargain with handlers for prices, terms of sale, compensation for commodities produced under contract and other terms of contracts with respect to the production, sale, and marketing of their commodity.

§ 54432. Processors, handlers, etc.; refusal to negotiate or bargain; prior course of dealing

The provisions of subdivision (e) of Section 54431 only apply to any processor, handler, distributor, or agent of any such person, who refuses to negotiate or bargain, as specified by such provisions, with a cooperative bargaining association which represents producers with whom such a processor, handler, distributor, or agent of any such person, has had a prior course of dealing.

For purposes of this section, "prior course of dealing" means that the processor, handler, distributor, or agent of any such person has purchased in any two of the immediate preceding five years a commodity from a producer which a cooperative bargaining association represents.

§ 54433. Cooperative bargaining association; refusal to negotiate or bargain

It is an unfair trade practice, and unlawful, for any cooperative bargaining association to which subdivision (e) of Section 54431 applies to refuse to negotiate or bargain with any processor, handler, distributor, or agent of any such person, for price, terms of sale, compensation for commodities produced under contract, and other contract provisions relative to any commodity which the cooperative bargaining association represents.

§ 54434. Business done among members of association; Inapplicability of subd. (e) of § 54431

The provisions of subdivision (e) of Section 54431 shall not apply to cooperative associations in respect to business done with its own membership.

§ 54435. No specific negotiation time or agreement required of processors, handlers, etc. with association

Nothing in subdivision (e) of Section 54431 shall require any processor, handler, distributor, or agent of any such person, to negotiate over any specific period of time, or to agree upon price, terms of sale, compensation for commodities produced under contract, and other contract provisions relative to any commodity which any such cooperative bargaining association represents.

Article 3

PENALTIES

Sec.
54461. Offense; punishment.
54462. Civil penalty.

§ 54461. Offense; punishment

The willful violation of any provision of this chapter is a misdemeanor punishable by a fine of not less than fifty dollars ($50) nor more than five hundred dollars ($500) for each and every such violation.

§ 54462. Civil penalty

In addition to the penalty which is provided by Section 54461, any person that violates any provision of this chapter is liable civilly for a penalty in an amount not to exceed a sum of five hundred dollars ($500) for each and every violation.

3. Maine Agricultural Marketing and Bargaining Act of 1973

§ **1953. Legislative findings and purpose**

Because agricultural products are produced by numerous individual farmers, the marketing and bargaining position of individual farmers will be adversely affected unless they are free to join together voluntarily in cooperative organizations as authorized by law. Furthermore, membership by a farmer in a cooperative organization can only be meaningful, if a handler of agricultural products is required to bargain in good faith with an agricultural cooperative organization as the representative of the members of such organization who have had a previous course of dealing with such handler. The purpose of this Article is to provide standards for the qualification of agricultural cooperative organizations for bargaining purposes, to define the mutual obligation of handlers and agricultural cooperative organizations to bargain with respect to the production, sale and marketing of agricultural products and to provide for the enforcement of such obligation.

§ **1954. Short title**

Article 6 shall be known and may be cited as the "Maine Agricultural Marketing and Bargaining Act of 1973."

§ **1955. Definitions**

As used in this article, unless the context otherwise requires, the following words shall have the following meanings.

1. **Association of producers.** "Association of producers" means any association of producers of agricultural products organized and existing under this subchapter.

2. **Board.** "Board" means the Maine Agricultural Bargaining Board provided for in this Article.

3. **Handler.** "Handler," in the case of potatoes, means "processor" as defined under Title 7, section 1012, subsection 14 and in the case of other agricultural products means any person engaged in the business or practice of:

A. Acquiring agricultural products from producers or associations of producers for processing or sale;

B. Grading, packaging, handling, storing or processing agricultural products received from producers or associations of producers;

C. Contracting or negotiating contracts or other arrangements, written or oral, with or on behalf of producers or associations of producers with respect to the production or marketing of any agricultural product; or

D. Acting as an agent or broker for a handler in the performance of any function or act specified in paragraph A, B or C.

4. **Person.** "Person" includes one or more individuals, partnerships, corporations and associations.

5. **Producer.** "Producer" means a person engaged in the production of agricultural products, excluding forest products, as a farmer, planter, rancher, poultryman, dairyman, fruit, vegetable or nut grower, or independent agricultural contractor as specified in section 1774, subsections 6—A and 8—A. If producer is also a handler, he shall be considered only a handler for the purposes of this Act.

6. **Qualified association.** "Qualified association" means an association of producers accredited in accordance with section 1957.

§ **1956. Maine Agricultural Bargaining Board**

1. **Board.** There is established in the Department of Agriculture a Maine Agricultural Bargaining Board, which shall administer this Article.

2. **Membership.** The board shall consist of 5 members who shall be appointed by the Governor. One member shall be appointed from a list of names submitted by agricultural producer organizations organized under this subchapter and chapter 81. One shall be appointed from a list of names submitted by processors of agricultural products. Three shall be representatives of the public.

The initial terms of office of members of the board shall be 2 years for 2 representatives of the public and 3 years for the producer and processor representative and 4 years for the remaining public member. The Governor shall designate one member to serve as chairman of the board. Thereafter all terms shall be for a period of 5 years. Each member of the board shall be eligible for reappointment and shall hold office until his successor is appointed and qualified. In the event of a vacancy, the Governor shall, within one month, appoint a successor to fill the unexpired term of his predecessor. All appointments to the board shall be made in conformity with the foregoing plan. Members shall take the oath of office prescribed for state officers.

3. **Removal.** Members of the board shall be removed by the Commissioner of Agriculture upon notice and hearing for neglect of duty or malfeasance in office but for no other cause.

4. **Quorum.** A vacancy in the board shall not impair the right of the remaining members to exercise all of the powers of the board. Three members of the board shall, at all times, constitute a quorum of the board, provided that reasonable notice has been given to all members of the board of the subject matter and date of any meeting at which the board is to exercise any of its powers.

5. **Expenses.** Members of the board shall be compensated at the rate of $50 per day, in addition to their actual expenses while carrying out the functions of the board.

6. **Rules and regulations.** The board shall have authority from time to time to adopt, amend and repeal, in the manner prescribed by the Maine Administrative Procedure Act such rules and regulations as may be necessary or appropriate to carry out this Article.

§ **1957. Qualification of associations of producers**

1. **Qualification.** Only those associations of producers that have been qualified in accordance with this section shall be entitled to the benefits provided by this Article.

2. **Petition.** An association of producers desiring qualification shall file with the board a petition for qualification. The petition shall contain such information and be accompanied by such documents as shall be required by the regulations of the board.

3. **Hearing.** The board shall provide notice and opportunity for a hearing, provided in a manner consistent with the provisions as to adjudicatory proceedings of the Maine Administrative Procedure Act.[1] The board shall qualify such association, if based upon the evidence at such hearing, the board finds:

A. That under the charter documents or the bylaws of the association, the association is directly or indirectly producer-owned and controlled;

B. The association has contracts with its members that are binding under state law;

C. The association is financially sound and has sufficient resources and management to carry out the purposes for which it was organized;

D. The association represents 51% of the producers and produced at least 1/2 of the volume of a particular agricultural product for the specific handler involved with those producers and that agricultural product during the previous 12 months; if the board has reasonable cause to question such representation, the board shall require a secret ballot election to certify the percentage of representation; and

E. The association has as one of its functions acting as principal or agent for its producer-members in negotiations with handlers for prices and other terms of contracts with respect to the production, sale and marketing of their product.

4. **Refiling of petition.** If after said hearing, the board does not deem an association qualified, it shall, in a manner consistent with the Maine Administrative Procedure Act, clearly specify the reasons for such failure to qualify in its decision and, upon the refiling of said petition, shall reconsider its decision within 30 days after the date on which said petition was filed.

5. **Notice.** After the board qualifies such association, it shall give notice of such qualification to all known handlers that, in the ordinary course of business, purchase the agricultural commodities that such association represents.

6. **Annual report.** A qualified association shall file an annual report with the board in such form as shall be required by the regulations of the board. The annual report shall contain such information as will enable the board to determine whether the association continues to meet the standards for qualification.

7. **Revocation.** If a qualified association ceases to maintain the standards for qualifications set forth in subsection 3, the board shall, in a manner consistent with the Maine Administrative Procedure Act, apply to the Administrative Court to revoke the qualification of such association.

§ **1958. Bargaining**

1. **Definition.** As used in this Article, "bargaining" is the mutual obligation of a handler and a qualified association to meet at reasonable times and negotiate in good faith with respect to the price, terms of sale, compensation for commodities produced or sold, or both, under contract and other contract provisions relative to the commodities that such qualified association represents and the execution of a written contract incorporating any agreement reached if requested by either party. Such obligation on the part of any handler shall extend only to a qualified association that represents producers with whom such handler has had a prior course of dealing. Such obligation does not require either party to agree to a proposal or to make a concession.

2. **Prior course of dealing.** A handler shall be deemed to have had a prior course of dealing with a producer if such handler has purchased commodities produced by such producer in any 2 of the preceding 3 years, provided that the sale by a handler of his business shall not negate any prior course of dealing that producers have had with this business.

3. **Contracts.** Nothing in this Article shall be deemed to prohibit a qualified bargaining association from entering into contracts with handlers to supply the full agricultural production requirements of such handlers.

4. **—limitation.** It shall be unlawful for a handler to negotiate with other producers of a product with respect to the price, terms of sale, compensation for commodities produced under contract and other contract provisions relative to such product while negotiating with a qualified bargaining association able to supply all or a substantial portion of the requirements of such handler for such product.

5. —**further limitation.** It shall be unlawful for a handler to purchase a product from other persons under terms more favorable to such persons than those terms negotiated with a qualified bargaining association for such product, unless such handler has first offered to purchase said product under said more favorable terms from the members of the qualified association of producers and said members have failed to supply the required product within a reasonable time according to said more favorable terms.

6. **Investigation.** Whenever it is charged that a qualified association or handler refuses to bargain, as that term is defined in subsection 1, the board shall investigate the charges. If, upon investigation, the board considers that there is reasonable cause to believe that the person charged has refused to bargain in violation of this Article, the board shall provide that person with notice and opportunity to be heard, in a manner consistent with the Maine Administrative Procedure Act as to adjudicatory hearings.

7. **Hearing.** Hearings held pursuant to subsection 6 shall be held in a manner consistent with the Maine Administrative Procedure Act as to adjudicatory hearings. The board shall request that the Attorney General, or any attorney in his department designated by him, be present at these hearings and shall advise the board on procedure and on the admissibility of any evidence.

8. **Findings.** If, upon a preponderance of the evidence, the board determines that the person complained of has refused to bargain, in violation of this Article, it shall state its findings of fact and shall issue and cause to be served on such person an order requiring him to bargain as that term is defined in subsection 1 and shall order such further affirmative action, excluding an award of damages, as will effectuate the policies of this Article.

9. **Dismissal.** Repealed. 1977, c. 694, § 283.

10. **Modification.** Until the record in a case has been filed in a court, as provided in section 1959, the board may at any time, upon reasonable notice and in such manner as it deems proper, modify or set aside, in a whole or in part, any finding or order made or issued by it.

§ **1959. Enforcement of orders and judicial review**

1. **Complaint.** The board shall have power to complain to the Superior Court for the enforcement of its orders made under section 1958 and for appropriate temporary relief or restraining order, and shall file in the court the original or certified copy of the entire record in the proceeding, and shall cause notice of such complaint to be served upon such person, and said court shall thereupon have jurisdiction of the proceeding and of the question determined therein, and shall have power to grant such temporary relief or restraining order as it deems just and proper, and to make and enter a judgment enforcing, modifying and enforcing as so modified, or setting aside in whole or in part, the order of the board. No objection that has not been urged before the board shall be considered by the court, unless the failure or neglect to urge such objection shall be excused because of extraordinary circumstances. The findings of the board with respect to questions of fact, if supported by substantial evidence on the record considered as a whole, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the hearing before the board, the court may order such additional evidence to be taken before the board and to be made a part of the record. The board may modify its findings as to the facts, or make new findings, by reason of additional evidence so taken and filed, and it shall file such modified or new findings, which findings with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall be conclusive, and shall file its recommendations, if any, for the modification or setting aside of its original order.

2. **Appeal.** Repealed. 1977, c. 694, § 284.

3. **Stay.** The commencement of proceedings for judicial review shall not stay enforcement of the board's decision, but the reviewing court may order a stay upon such terms as it deems proper.

4. **Procedure.** Repealed. 1977, c. 694, § 286.

§ **1960. Copy evidence; oaths; subpoenas**

The board shall at all reasonable times have access to and the right to copy evidence relating to any person or action under investigation by it in connection with any refusal to bargain. The board is empowered to administer oaths and to issue subpoenas requiring the attendance of witnesses or the production of evidence.

§ **1961. Contempt**

In case of contumacy or refusal to obey a subpoena issued to any person, the Superior Court, upon application by the board, shall have jurisdiction to order such person to appear before the board to produce evidence or to give testimony touching the matter under investigation and any failure to obey such order may be punished by the court as a contempt thereof.

§ **1962. Service**

Complaints, orders and other papers of the board shall be served in accordance with the methods provided by the Maine Rules of Civil Procedure.

§ **1963. Subpoena**

In any proceeding before the board under this Act, the board may issue subpoenas for the attendance of witnesses, or for the production of documents and may examine witnesses under oath provided that:

1. Upon written application of a party to a proceeding, the board shall issue subpoenas for the attendance of witnesses or for the production of documents;

2. A person who fails to obey the subpoena of the board may be punished as for contempt of court on application by the board to the Superior Court for the county in which such failure occurs;

3. Witnesses who are summoned before the board or its agents shall be entitled to the same witness and mileage fees as are paid to witnesses subpoenaed in the District Courts of the State.

§ **1964. Antitrust**

The activities of qualified associations and handlers in bargaining with respect to the price, terms of sale, compensation for commodities produced under contract or other contract terms relative to agricultural commodities produced by the members of such qualified associations shall be deemed not to violate any antitrust law of this State. Nothing in this Article shall be construed to permit handler to contract, combine or conspire with one another in bargaining with qualified associations.

§ **1965. Unfair practices**

1. Producers of agricultural commodities are free to join together voluntarily in associations as authorized by law without interference by handlers. A handler shall not engage nor permit an employee or agent to engage in any of the following practices, defined as unfair practices:

A. To coerce a producer in the exercise of his right to join and belong to or to refrain from joining or belonging to an association or to refuse to deal with a producer because of the exercise of his right to join and belong to an association except as provided in section 1958, subsections 4 and 5;

B. To discriminate against a producer with respect to price, quantity, quality or other terms of purchase, acquisition or other handling of agricultural products because of his membership in or contract with an association;

C. To coerce or intimidate a producer to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with a handler;

D. To pay or loan money, give anything of value or offer any other inducement or regard to a producer for refusing or ceasing to belong to an association;

E. To make or circulate unsubstantiated reports about the finances, management or activities of associations or handlers;

F. To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this Act;

G. To refuse to bargain with an accredited association with whom the handler has had prior dealings or with an accredited association whose producers in the bargaining units have had substantial dealing with the handler prior to the accreditation of the association;

H. To negotiate with a producer included in the bargaining unit after an association is accredited.

2. An association shall not engage or permit an employee or agent to engage in the following practices, defined as unfair practices:

A. To act in e manner contrary to the bylaws of the association;

B. To refuse to bargain with a handler with whom the accredited association has had prior dealing or with whom its producers have had substantial dealing prior to the accreditation of the association;

C. To coerce or intimidate a handler to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with a producer;

D. To make or circulate unsubstantiated reports about the finances, management or activities of other associations or handlers;

E. To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this Act;

F. To hinder or prevent, by picketing, threats, intimidations, force or coercion of any kind, the pursuit of any lawful work or employment, or to obstruct or interfere with entrance to or egress from any place of employment, or to obstruct or interfere with free and uninterrupted use of public roads, streets, highways, railways, airports or other ways of travel or conveyance;

G. To exercise coercive pressure by picketing, patrolling or otherwise business establishments other than the premises owned or controlled by the handler in order to cause such parties to cease doing business with such handler.

4. Wisconsin Marketing, Warehouses, and Trade Practices Act (Excerpt)

100.235 Unfair trade practices in purchase of vegetable crops

(1) No processor of vegetable crops, who grows in this state more than 10% of the acreage of a species of vegetable, processed at a single processing plant, may pay to growers who sell vegetable crops under contract to * * * *the processor* for processing at such plant, an average amount per ton less than the average cost per ton incurred by the processor in growing such vegetable species * * * in this state during the past 3 consecutive years prior to the current contract year. If the processor has grown a vegetable species less than 3 consecutive years, * * * *the processor* shall average the costs of the past 2 consecutive years, if applicable, or use the cost of the preceding year when it is the only one available.

(2) On the complaint of any grower filed with the department within 180 days after completion of the processing of a vegetable at a plant, alleging that the proc- to whom * * * *the grower* sold a vegetable crop under contract may have engaged in such unfair trade practice, the department shall make investigation thereof. In making its investigation the department may require the processor to submit reports of * * * acreages, tonnages, costs of growing, and amounts paid to contract growers. For vegetables contracted on a tonnage basis and for open-market tonnage purchased, the processor shall report the estimated acreage based on this state's average yield per acre for the preceding year. All such reports shall be confidential and shall not be open to public inspection.

The department may require such reports to be certified by a public accountant or the department may inspect the processor's records to verify such reports. Upon completion of its investigation, the department shall issue its determination as to whether the processor has engaged in an unfair trade practice. If the department finds that the processor has engaged in an unfair trade practice, it shall specify the amount per ton by which the processor's costs of growing the vegetable species exceeded the amount paid to contract growers. Either the complainant or the processor may demand a public hearing of the matter, before the department, within 30 days of receipt of the determination, and shall be entitled to judicial review of the department's order under ch. 227.

(3) The department, after public hearing, may by rule adopt a uniform system of cost accounting to be used by processors in determining and reporting growing costs. Such accounting system shall take into account cost differences attributable to factors affecting prices for the vegetable species under the processor's contract with growers. If the contract provides for no seed charge or for cancellation of seed charges and charges for services furnished by the processor, if any, with respect to growers' nonharvested acreage, then the processor's cost of growing such species of vegetable shall not include the cost of * * * *the processor's* nonharvested acreage. A violation of this section or any rule issued under this section is an unfair trade practice under s. 100.20.

5. Minnesota Agricultural Marketing and Bargaining Act of 1973

17.691 Citation

Sections 17.691 to 17.701 shall be known and may be cited as the "agricultural marketing and bargaining act of 1973."

17.692 Declaration of policy

Since agricultural products are produced by numerous and often scattered individual producers, the marketing and bargaining position of individual producers will be adversely affected unless they are free to join together voluntarily in cooperative associations or other associations as authorized by law. Membership of a producer in such a cooperative association or other association can only be meaningful if a handler of agricultural products is required to bargain in good faith with an agricultural cooperative association or other association as the representative of the members of such association. Production and marketing of agricultural commodities constitutes a basic and essential industry. Agricultural producers do.not now enjoy the opportunity, comparable to that of industrial workers and those in many other forms of enterprise or employment, to organize and bargain effectively. Neither is adequate government provision available to assure that the bargaining process shall be fair both to producers and handlers and in the public interest.

17.693 Definitions

Subdivision 1. For the purposes of sections 17.691 to 17.701, the terms defined in this section have the meanings given them.

Subd. 2. "Association" means an association of producers, or federation of cooperative association of producers engaged in producing, marketing, bargaining, shipping or processing functions of an agricultural commodity on behalf of its members who are producers of such agricultural commodity, which has been accredited by the commissioner.

Subd. 3. "Person" means an individual, partnership, corporation or association.

Subd. 4. "Producer" means any person, who in any one calendar year within the previous two calendar years, produces or causes to be produced any agricultural commodity in quantity beyond his own family use, and who is able to transfer, during the calendar year, to a handler or an association a merchantable title to the agricultural commodity or provide management, labor, machinery, facilities, or any other production input, with the assumption of risk, for the production of the agricultural commodity under a written contract.

Subd. 5. "Agricultural commodity" includes all agricultural goods produced under contract for marketing as defined by the commissioner of agriculture. It does not include any commodity sold by a producer to another producer for his own exclusive use and not for resale. The kinds, types and subtypes of products to be classed together as an agricultural commodity for the purposes of sections 17.691 to 17.701 shall be determined by the commissioner on the basis of common usage and practice.

Subd. 6. "Handler" means a person, other than an association, engaged in the business or practice of acquiring agricultural commodities from producers or associations for processing or sale; grading, packaging, handling, storing or processing agricultural commodities received from producers or associations; contracting or negotiating contracts or other arrangements with producers or associations with respect to the production of any agricultural commodity; or acting as an agent or broker for a handler in the performance of any function or act specified above. It does not include a producer who sells at a retail establishment which he owns and

operates or who sells at a produce market, agricultural commodities produced by him and agricultural commodities produced by another producer subject to value limitation established by the commissioner.

Subd. 7. "Commissioner" means the commissioner of agriculture of the state of Minnesota or his designated authority.

Subd. 8. "Marketing year" shall mean, generally, any time between the second day of February of the previous calendar year and the first day of February of the subsequent year, unless the commissioner shall determine an alternative time period for a specific agricultural commodity to be designated as its marketing year.

17.694 Accreditation

Subdivision 1. Any association accredited under this section may engage in bargaining as provided for under sections 17.691 to 17.701.

(1) An association desiring accreditation shall file with the commissioner in the form required by the commissioner. The request shall contain properly certified evidence that the association meets the standards for accreditation and shall be accompanied by a report of the names and addresses of member producers, the name of each handler to whom the member producer delivered or contracted to deliver the agricultural commodity during the previous two calendar years and the quantity delivered or acreage grown. A fee to cover the costs of the commissioner in processing the request shall be established pursuant to Chapter 15, and paid by the association when the request is filed.

(2) The commissioner may require all handlers of an agricultural commodity produced in a bargaining unit area as individuals or through their trade association to file with the board within 30 days following such a request, a report, properly certified, showing the correct names and addresses of all producers of the agricultural commodity who have delivered the agricultural commodity to the handler during the two calendar years preceding the filing of the report and the quantities of the agricultural commodity received by the handler from each named producer during those periods. The information contained in the individual reports of handlers filed with the commissioner shall not be made public by the commissioner nor available to any person for private use.

Subd. 2. In determination of accreditation, the commissioner shall determine whether bargaining shall be appropriate by plant, processor, or company. This determination shall be the unit area for the bargaining provisions of sections 17.691 to 17.701 as is applicable to associations and handlers. In making his determination, the commissioner shall define as appropriate the largest bargaining unit area in terms of the quantity of the agricultural commodity produced, the definition of the agricultural commodity, geographic area covered and number of producers included as is consistent with the following criteria:

(a) The community of interest of the producers included;

(b) The potential serious conflicts of interests among members of the proposed unit;

(c) The effect of exclusions on the capacity of the association to effectively bargain for the bargaining unit as defined;

(d) The kinds, types and subtypes of products to be classed together as agricultural commodity for which the bargaining unit is proposed;

(e) Whether the producers eligible for membership in the proposed bargaining unit meet the definition of "producer" for the agricultural commodity involved;

(f) The wishes of the producers;

(g) The pattern of past marketing of the commodity.

Subd. 3. An association shall be accredited only if it complies with the following:

(a) The association meets the requirements of the Capper-Volstead Act, 7 U.S.C. 291-2.

(b) The association has submitted a copy of its bylaws which provide that:
Each member of the association shall have one vote in all votes of the membership of the association; that officers or directors shall be elected by a majority of the members voting or by delegates representing a majority of the membership; and that all elections shall be by secret ballot.

(c) The association would have marketing and bargaining contracts for the current or next marketing year with more than 50 percent of the producers of an agricultural commodity who are in the bargaining unit area and these contracts would cover more than 50 percent of the quantity of that commodity produced by producers in that bargaining unit area. The commissioner may determine the quantity produced by the bargaining unit area using information on production in the prior year, current marketing information, and projections on production during the current marketing year. The commissioner shall exclude from the quantity of the agricultural commodity contracted by producers with producer owned and controlled processing cooperatives and any quantity produced by handlers. An association whose main purpose is bargaining but which processes a surplus into a form which is not the subject of bargaining is not a processing cooperative. The contracts with members shall specify the agricultural commodity and that the members have appointed the association as their exclusive agent in negotiations with handlers for prices and other terms of trade with respect to the sale and marketing of the agricultural commodity and obligate the members of the association to dispose of their production or holdings of the agricultural commodity through or at the direction of the association.

Subd. 4. Within 60 days of the filing date of the request for accreditation by an association, the commissioner shall determine whether the association shall be accredited. If the commissioner determines that insufficient evidence was filed by the association, the commissioner may permit the association to file an amended request for accreditation within 30 days following the determination and notification of the association. The commissioner shall then determine, within 30 days of the filing of the amended request, whether the association shall be accredited. An association which is denied accreditation after filing of an amended request may not file another request for accreditation for a period of one year.

Subd. 4a. Within 30 days of a decision by the commissioner denying accreditation to an association, the association may request a hearing before the commissioner. The commissioner shall then conduct a hearing to determine whether the association shall be accredited. This hearing shall be governed by the provisions of sections 15.0418 and 15.0419. If the commissioner, after this hearing has been held, determines that the association should not be accredited, the association may appeal this decision in accordance with sections 15.0424 and 15.0425. Only an association denied certification after such hearing may appeal under this chapter.

Subd. 5. Accreditation of the association by the commissioner shall be effective upon receipt by the association of the notice of accreditation from the commissioner.

Subd. 6. The commissioner shall consider revocation of accreditation upon any of the following conditions:

(a) Upon receipt of a request from an accredited association for its own disaccreditation.

(b) Upon receipt of a petition requesting that the accredited association be disaccredited and bearing the signatures of at least ten percent of the producers of an accredited association in the bargaining unit. Following the receipt of a petition bearing the signatures of at least ten percent of the producers of an accredited association in a bargaining unit the board shall order the commissioner to initiate a referendum among the members of the accredited association and if in the referendum a majority of the producers, producing 50 percent of the commodity approve, the association accreditation shall be revoked by the board.

Subd. 7. The accredited association shall represent all member producers who are in the bargaining unit area and it shall act as exclusive sales agents for the bargaining unit area in negotiations with handlers. The association may not assess, bargain for, or claim to represent those producers who choose not to be represented by the association or choose not to have a bargaining committee bargain for them.

17.695 Marketing and bargaining committee

Subdivision 1. After accreditation of the association, the association shall establish and authorize a marketing and bargaining committee to negotiate, as the association's exclusive agent, with handlers for the sale and marketing of the agricultural commodity for which the association was accredited.

Subd. 2. This committee shall be comprised of members of the association elected by the association in a secret ballot election, except that the association may contract with legal counsel who shall, at the discretion of the association, be eligible for membership on the committee.

Subd. 3. The production of the agricultural commodity shall comprise a significant portion of the total producing operation of each committee member.

Subd. 4. Members who have any quantity contracted with a producer owned and controlled processing cooperative are not eligible to serve on a marketing and bargaining committee for such a commodity.

17.696 Unfair practices of handlers and associations

Subdivision 1. Producers of agricultural commodities are free to join together voluntarily in associations as authorized by law without interference by handlers. A handler shall not engage in any of the following practices, defined as unfair practices:

(a) To coerce a producer in the exercise of his right to join and belong to or to refrain from joining or belonging to an association or to refuse to deal with a producer because of the exercise of his right to join and belong to an association.

(b) To discriminate against a producer with respect to price, quantity, quality or other terms of purchase, acquisition or other handling of agricultural products because of his membership in or contract with an association.

(c) To coerce or intimidate a producer to breach, cancel or terminate a membership agreement or marketing contract with an association or a contract with a handler.

(d) To pay or loan money, give anything of value or offer any other inducement or reward to a producer for refusing or ceasing to belong to an association.

(e) To make or circulate unsubstantiated reports about the finances, management or activities of associations or other handlers.

(f) To conspire, combine, agree or arrange with any other person to do or aid or abet the doing of any practice which is in violation of sections 17.691 to 17.701.

(g) To refuse to bargain with an association with whom the handler has had prior dealings or with an association whose producers in the bargaining units have had dealings with the handler prior to July 1, 1973.

Subd. 2. An association shall not engage nor permit an employee or agent to engage in the following practices, defined as unfair practices:

(a) To enter into a contract which discriminates against a producer represented by that association.

(b) To act in a manner contrary to the bylaws of the association.

(c) To coerce or intimidate a handler to breach, cancel or terminate an agreement or marketing contract with an association or a contract with a producer.

(d) To make or circulate unsubstantiated reports about the finances, management or activities of other associations or handlers.

(e) To conspire, combine, agree or arrange with another person to do or aid or abet the doing of any practice which is in violation of sections 17.691 to 17.701.

17.697 Bargaining defined; notice of commencement of negotiations; mediation procedure

Subdivision 1. As used in sections 17.691 to 17.701, "bargaining" means the mutual obligation of a handler and an association or their designated representatives to meet at reasonable times and confer and negotiate in good faith. Negotiations may include all terms relative to trading between handlers and producers of the agricultural commodity such as:

(a) prices and terms of sale

(b) quality specifications

(c) quantity to be marketed by acreage or weight

(d) transactions involving products and services utilized by one party and provided by the other party

(e) check off procedures pursuant to assessments levied by the association, not to exceed one-half of one percent of the gross value of the producers annual production contract are collected by handlers from proceeds to producers within the bargaining unit and paid to the association.

Subd. 2. The association shall notify the commissioner of the commencement of negotiations.

Subd. 3. (a) If no agreement is reached at the expiration of ten days after service of such notice to the commissioner, the association may, at any time thereafter, petition the commissioner to assume supervision over the dispute, except as provided for by clause (e).

(b) The commissioner shall then set a time and place for conference with the parties to present facts representing each party's case and hearing arguments. The commissioner shall take such steps, in accordance with rules promulgated under sections 17.691 to 17.701, as he deems expedient to affect a voluntary, amicable and expeditious adjustment and settlement of the differences between the handler and the association.

(c) At any time prior to 15 days before the first day of the marketing year in dispute, if an agreement on the issues in dispute between the association and the handler has not been reached, the handler may elect not to purchase, directly or indirectly, any quantity of the agriculture commodity produced by the association during that marketing year; or, the affected producers may elect not to sell, directly or indirectly, any quantity of the agricultural commodity produced by the association during that marketing year; or, the affected producers may elect not to sell, directly or indirectly, any quantity of the agricultural commodity to the handler during that marketing year.

(d) If either party makes an election, the other party is not under an obligation to continue bargaining with the party so electing for terms during the marketing period in dispute. Both parties may, however, engage immediately in bargaining for the following marketing year.

(e) If the petition requesting the commissioner to assume supervision over a dispute is presented 15 days or less before the marketing year in dispute, then the commissioner shall exercise his discretionary authority, according to rules promulgated under sections 17.691 to 17.701, in determining which disputes are arbitrable before the start of the marketing year in dispute.

17.698 Basis for mediation and bargaining decisions

All decisions of mediation and bargaining which result from section 17.697 shall be based upon the following factors:

(a) Prices or projected prices for the agricultural commodity paid by the competing handlers in the market area or competing market areas.

(b) Amount of the commodity produced or projections of production in the production area or competing marketing areas.

(c) Relationship between the quantity produced and the quantity handled by the handler.

(d) The producers cost of production including the cost which would be involved in paying farm labor a fair wage rate and providing them with adequate housing.

(e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The impact of the award on the competitive position of the handler in the marketing area or competing areas.

(g) The impact of the award on the competitive position of the agricultural commodity in relationship to competing commodities.

(h) A fair return on investment.

(i) Kind, quality or grade of the commodity involved.

(j) Stipulation of the parties.

(k) Such other factors which are normally or traditionally taken into consideration in determining prices, quality, quantity and the costs of other services involved.

17.699 Time limit upon decisions

The commissioner shall announce his findings of fact and decisions in all cases in which he has assumed supervision during the year previous to the marketing year in dispute by the fifteenth day of the marketing year in dispute. To expedite his decisions, the commissioner may engage the services of the bureau of mediation services, whose recommendations he shall consider in his final determination.

17.70 Violation procedure

Subdivision 1. For the purpose of sections 17.691 to 17.701, the commissioner may receive complaints with respect to violations or threatened violations. The commissioner may make all necessary investigations, examinations or inspections of any violation or threatened violation specified in the sworn complaint filed with the commissioner. If, upon such investigation, the commissioner considers that there is reasonable cause to believe that the person charged has committed a practice in violation of sections 17.691 to 17.701, the commissioner shall issue and cause to be served a complaint upon the person. The complaint shall summon the person to a hearing before the commissioner at the time and place fixed.

Subd. 2. If the commissioner determines that the person complained of has committed a practice in violation of sections 17.691 to 17.701, he shall state his findings of fact and shall issue and cause to be served on the person an order requiring him to cease the violation and shall order further affirmative action as will effectuate the policies of sections 17.691 to 17.701.

Subd. 3. If the commissioner is of the opinion that the person complained of has not committed a practice in violation of sections 17.691 to 17.701, he shall make his findings of fact and issue an order dismissing the complaint.

Subd. 4. Until the record in a case has been filed in a court the commissioner may, at any time upon reasonable notice and in such manner as he deems proper, modify or set aside, in whole or in part, any finding or order he has made or issued, with jurisdiction for such a change specified in additional findings of fact.

Subd. 5. The commissioner may request the attorney general of the state of Minnesota to seek the appropriate temporary relief or restraining order of injunction in district court to insure the enforcement of his findings.

17.701 Rules

The commissioner may promulgate rules necessary for the administration of sections 17.691 to 17.701 in accordance with sections 17.691 to 17.701 and Chapter 15.

6. Ohio Cooperatives Act (Excerpt)

§ **1729.191** (Definitions.)

As used in sections 1729.191 and 1729.192 of the Revised Code:

(A) "Sales Contract"means an agreement between a handler and a producer, negotiated by the producer or by a cooperative acting as agent for a producer, under which the producer agrees to grow or produce fruits or vegetables in this state for sale as raw agricultural products to the handler, and the handler agrees to buy such fruits or vegetables.

(B) "Handler" means a person who acquires fruits or vegetables under a sales contract for the purpose of processing such fruits or vegetables.

(C) "Processing" means changing the physical or chemical characteristics of fruits or vegetables by operations such as cooking, freezing, or canning. "Processing" does not include cleaning, grading, or packaging.

(D) "Cooperative" means any corporation organized under Chapter 1729, of the Revised Code, controlled by and operated for producers, and meeting the requirements of the "Co-operative Marketing Associations Act," 42 Stat. 388 (1922), 7 U.S.C. 291, 292, which negotiates sales contracts with handlers on behalf of its members and is not in direct competition with any handler with which it negotiates such contracts.

(E) "Bargaining" means the mutual obligation of a handler and a cooperative to meet at reasonable times and confer and negotiate in good faith. Negotiations may include all terms relative to trading between handlers and producers of fruits and vegetables. The obligation does not require either party to agree upon price, terms of sale, or any other contract provision, or to make a concession.

§ **1729.192** (Sales contracts for fruits or vegetables.)

(A) Whenever a cooperative has contracts with its members authorizing the cooperative to bargain on behalf of its members for sales contracts for a specified fruit or vegetable, no handler nor cooperative shall commit an unfair marketing practice when the following conditions exist:

(1) The contract obligates such members to produce and sell such fruit or vegetable under sales contracts negotiated by the cooperative;

(2) Such members represent, on the yearly average calculated over the immediate two preceding calendar years, at least fifty-one per cent of the producers who delivered, under sales contracts, such specified fruit or vegetable to the specified facility of the handler;

(3) Such members delivered, under sales contracts, on the yearly average calculated over the immediate two preceding calendar years, at least fifty per cent of the total amount of such fruit or vegetable delivered, under sales contracts, to such facility;

(4) The cooperative, if requested by the handler, presents to the handler copies of the contracts with its members authorizing the cooperative to bargain on behalf of its members for sales contracts for the specified fruit or vegetable which is the subject of the sales contract under negotiation.

(B) It is an unfair marketing practice:

(1) If a handler or a cooperative fails to bargain in good faith with such cooperative or such handler for the purpose of negotiating sales contracts for the specified fruit or vegetable to be delivered to a specified facility of the handler when the cooperative requests such negotiations between the first day of January and the twenty-eighth day of February of any year. The obligation to negotiate in no event extends past the thirty-first day of March for annual plantings or past the thirty-first day of July for perennial plantings.

(2) If a handler enters into a sales contract directly with a producer, pertaining to specified fruits and vegetables to be delivered to the same facility, with the intent to cause the cooperative to fail to meet the conditions set forth in divisions (A) (2) and (3) of this section.

§ **1729.99** Penalty.

(A) Whoever violates section 1729.181 of the Revised Code shall be fined not less than fifty nor more than five hundred dollars for each offense.

(B) Whoever commits an unfair marketing practice as defined in section 1729.192 of the Revised Code shall be fined not less than one hundred nor more than twenty-five hundred dollars for each offense.

7. Oregon Producers' Cooperative Bargaining Associations Act

646.515 Definitions for ORS 646.515 to 646.545. As used in ORS 646.515 to 646.545, unless the context requires otherwise:

(1) "Agricultural commodity" or "commodities" means any and all agricultural, horticultural, viticultural and vegetable products produced in this state, either in their natural state or as processed by a producer for the purpose of marketing such product, including bees and honey, but not including timber, timber products, grain and grain products or seed products.

(2) "Cooperative bargaining association" means an association of producers formed or operated pursuant to ORS chapter 62 with the purpose of group bargaining with respect to the sale of any agricultural commodity or commodities.

(3) (a) "Dealer" means, except as provided in paragraph (b) of this subsection, any person or his agent who purchases or contracts to purchase an agricultural commodity from a producer or his agent, for the purpose of packing, processing or marketing such commodity.

(b) "Dealer" shall not include any organization operating as an agricultural cooperative corporation.

(4) "Producer" means a person engaged in the business of producing agricultural commodities.

646.525 Cooperative bargaining associations authorized. Producers shall have the right to join voluntarily and belong to cooperative bargaining associations.

646.535 Unfair trade practices prohibited. No dealer shall knowingly engage in the following unfair trade practices:

(1) Interfere with, restrain, coerce or boycott a producer in the exercise of the rights guaranteed pursuant to ORS 646.525; or

(2) Discriminate against a producer with respect to price or other terms of purchase of raw agricultural commodities, by reason of the producer's membership in or contract with cooperative bargaining associations; or

(3) Pay or loan money, or give any other thing of value to a producer as an inducement or reward for refusing to or ceasing to belong to a cooperative bargaining association.

646.545 Remedy for unfair trade practices; jurisdiction. (1) In addition to any other remedies provided by law, any producer injured by a violation of ORS 646.535 may maintain an action for damages sustained by such producer.

(2) The prevailing party in any action brought pursuaht to subsection (1) of this section shall be allowed, in addition to the costs and disbursements otherwise prescribed by law, a reasonable sum for attorney's fees for the prosecution or defense of such action.

(3) Notwithstanding the provisions of ORS 46.060 to 46.080, the district court shall not have jurisdiction in any action for damages for violation of ORS 646.535.

Appendix C
Agricultural Fair Practices Act Of 1967

Agricultural Fair Practices Act of 1967

Sec.
2301. Congressional findings and declaration of policy.
2302. Definitions.
2303. Prohibited practices.
2304. Disclaimer of intention to prohibit normal dealing.
2305. Enforcement provisions.
(a) Civil actions by persons aggrieved; preventive relief; attorneys' fees; security.
(b) Civil actions by Attorney General; federal jurisdiction; complaint; preventive relief.
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(d) Federal jurisdiction; exhaustion of other remedies; State laws and jurisdiction unaffected.
2306. Separability of provisions.

§ 2301. Congressional findings and declaration of policy

Agricultural products are produced in the United States by many individual farmers and ranchers scattered throughout the various States of the Nation. Such products in fresh or processed form move in large part in the channels of interstate and foreign commerce, and such products which do not move in these channels directly burden or affect interstate commerce. The efficient production and marketing of agricultural products by farmers and ranchers is of vital concern to their welfare and to the general economy of the Nation. Because agricultural products are produced by numerous individual farmers, the marketing and bargaining position of individual farmers will be adversely affected unless they are free to join together voluntarily in cooperative organizations as authorized by law. Interference with this right is contrary to the public interest and adversely affects the free and orderly flow of goods in interstate and foreign commerce.

It is, therefore, declared to be the policy of Congress and the purpose of this chapter to establish standards of fair practices required of handlers in their dealings in agricultural products.

§ 2302. Definitions

When used in this chapter—

(a) The term "handler" means any person engaged in the business or practice of (1) acquiring agricultural products from producers or associations of producers for processing or sale; or (2) grading, packaging, handling, storing, or processing agricultural products received from producers or associations of producers; or (3) contracting or negotiating contracts or other arrangements, written or oral, with or on behalf of producers or associations of producers with respect to the production or marketing of any agricultural product; or (4) acting as an agent or broker for a handler in the performance of any function or act specified in clause (1), (2) or (3) of this paragraph.

(b) The term "producer" means a person engaged in the production of agricultural products as a farmer, planter, rancher, dairyman, fruit, vegetable, or nut grower.

(c) The term "association of producers" means any association of producers of agricultural products engaged in marketing, bargaining, shipping, or processing as defined in section 1141j(a) of Title 12, or in section 291 of this title.

(d) The term "person" includes individuals, partnerships, corporations, and associations.

(e) The term "agricultural products" shall not include cotton or tobacco or their products.

§ 2303. Prohibited practices

It shall be unlawful for any handler knowingly to engage or permit any employee or agent to engage in the following practices:

(a) To coerce any producer in the exercise of his right to join and belong to or to refrain from joining or belonging to an association of producers, or to refuse to deal with any producer because of the exercise of his right to join and belong to such an association; or

(b) To discriminate against any producer with respect to price, quantity, quality, or other terms of purchase, acquisition, or other handling of agricultural products because of his membership in or contract with an association of producers; or

(c) To coerce or intimidate any producer to enter into, maintain, breach, cancel, or terminate a membership agreement or marketing contract with an association of producers or a contract with a handler; or

(d) To pay or loan money, give any thing of value, or offer any other inducement or reward to a producer for refusing to or ceasing to belong to an association of producers; or

(e) To make false reports about the finances, management, or activities of associations of producers or handlers; or

(f) To conspire, combine, agree, or arrange with any other person to do, or aid or abet the doing of, any act made unlawful by this chapter.

§ 2304. Disclaimer of intention to prohibit normal dealing

Nothing in this chapter shall prevent handlers and producers from selecting their customers and suppliers for any reason other than a producer's membership in or contract with an association of producers, nor require a handler to deal with an association of producers.

§ 2305. Enforcement provisions—Civil actions by persons aggrieved; preventive relief; attorneys' fees; security

(a) Whenever any handler has engaged or there are reasonable grounds to believe that any handler is about to engage in any act or practice prohibited by section 2303 of this title, a civil action for preventive relief, including an application for a permanent or temporary injunction, restraining order, or other order, may be instituted by the person aggrieved. In any action commenced pursuant hereto, the court, in its discretion, may allow the prevailing party a reasonable attorney's fee as part of the costs. The court may provide that no restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained.

Civil actions by Attorney General; federal jurisdiction; complaint; preventive relief

(b) Whenever the Secretary of Agriculture has reasonable cause to believe that any handler, or group of handlers, has engaged in any act or practice prohibited by section 2303 of this title, he may request the Attorney General to bring civil action in his behalf in the appropriate district court of the United States by filing with it a complaint (1) setting forth facts pertaining to such act or practice, and (2) requesting such preventive relief, including an application for a permanent or temporary injunction, restraining order, or other order against the handler, or handlers, responsible for such acts or practices. Upon receipt of such request, the Attorney General is authorized to file such complaint.

Suits by persons injured; federal jurisdiction; amount of recovery; attorneys' fees; limitation of actions

(c) Any person injured in his business or property by reason of any violation of, or combination or conspiracy to violate, any provision of section 2303 of this title may sue therefor in the appropriate district court of the United States without respect to the amount in controversy, and shall recover damages sustained. In any action commenced pursuant to this subsection, the court may allow the prevailing party a reasonable attorney's fee as a part of the costs. Any action to enforce any cause of action under this subsection shall be forever barred unless commenced within two years after the cause of action accrued.

Federal jurisdiction; exhaustion of other remedies; State laws and jurisdiction unaffected

(d) The district courts of the United States shall have jurisdiction of proceedings instituted pursuant to this section and shall exercise the same without regard to whether the aggrieved party shall have exhausted any administrative or other remedies that may be provided by law.

The provisions of this chapter shall not be construed to change or modify existing State law nor to deprive the proper State courts of jurisdiction.

§ 2306. Separability of provisions

If any provision of this chapter or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the chapter and of the application of such provision to other persons and circumstances shall not be affected thereby.

Appendix D
Proposed National Agricultural Bargaining Act Of 1979

Proposed National Agricultural Bargaining Act of 1979

96th Congress
1st Session

H.R. 3535

To assure fair practices in agricultural bargaining.

IN THE HOUSE OF REPRESENTATIVES

April 9, 1979

Mr. Panetta introduced the following bill; which was referred to the Committee on Agriculture

A BILL
To assure fair practices in agricultural bargaining.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Agricultural Bargaining Act of 1979".

Congressional Findings and Declaration of Policy

Sec. 2. Agricultural products are produced in the United States by many individual farmers and ranchers scattered throughout the various States of the Nation. Such products in fresh or processed form, move in the channels of interstate and foreign commerce, or directly burden or affect interstate commerce. The efficient production and marketing of agricultural products by farmers and ranchers is a vital importance to their welfare, and to the general welfare. Because agricultural products are produced by numerous individual farmers, their ability to market and to bargain effectively for fair prices and terms of sale of their products is adversely affected unless they are free to join together in cooperative associations of producers as authorized by law. Interference with this right, or the failure of any handler of agricultural products to bargain in good faith with a cooperative association of producers as the representative and agent of such producers is contrary to the public interest and adversely affects the free and orderly flow of goods in interstate and foreign commerce. Therefore, it is declared to be the policy of Congress and the purpose of this title to establish standards of fair practices that shall be observed by handlers and associations of producers in their dealings in agricultural products, to provide standards for the accreditation of cooperative associations of producers of agricultural products for the purpose of bargaining, to define the mutual obligations of handlers and associations of producers to bargain with respect to the production, sale, and marketing of agricultural products, and to provide for the enforcement of such obligations.

Definitions

Sec. 3. When used in this title—

(a) "Accredited association" means an association of producers accredited in accordance with section 6 of this title.

(b) "Association" means any association of producers of agricultural products engaged in the marketing of such products, including marketing, selling, bargaining, shipping, or processing as defined in section 15(a) of the Agricultural Marketing Act of 1929, as amended (49 Stat. 317; 12 U.S.C. 1141(a)), or in section 1 of the Act entitled "An Act to authorize association of agricultural producers" approved February 18, 1922 (42 Stat. 388; 7 U.S.C. 291).

(c) "Handler" means any person, other than an association, engaged in the business or practice of (1) acquiring agricultural products from producers or associations for processing or sale; (2) grading, packaging, handling, storing, or processing agricultural products received from producers or associations; (3) contracting or negotiating contracts or other arrangements, written or oral, with producers or associations with respect to the production or marketing of any agricultural product; or (4) acting as an agent or broker for a handler in the performance of any function or act specified in (1), (2), or (3) above.

(d) "Person" includes one or more individuals, partnerships, corporations, and associations.

(e) "Producer" means a person engaged in the production of agricultural products as a farmer, planter, rancher, poultryman, dairyman, fruit, vegetable, or nut grower, including a grower or farmer furnishing labor, production management, or facilities for the growing or raising of agricultural products.

(f) "Secretary" means the Secretary of Agriculture.

Unfair Practices

Sec. 4. (a) It shall be unlawful for any handler to engage, or to permit an employee or agent to engage, in any of the following practices, which are hereby defined as unfair practices:

(1) To coerce a producer in the exercise of his right to contract with, join, or maintain his membership in, or to refrain from contracting with, joining, or maintaining his membership in an association or to refuse to deal with a producer because of the exercise of his right to contract with, join, or maintain his membership in an association.

(2) To discriminate against a producer with respect to price, quantity, quality, or other terms of purchase, acquisition, or other handling of agricultural products because of his membership in or his contract with an association.

(3) To coerce or intimidate a producer to breach, cancel, or terminate a membership agreement or marketing contract with an association or a contract with a handler.

(4) To offer to pay or loan money or anything of value, or to offer or give any other inducement or reward to a producer for refusing to join or to cease to maintain membership in an association.

(5) To make or circulate false reports about the finances, management, or activities of an association or a handler.

(6) To refuse to bargain in good faith with an association accredited to represent producers, if the handler is designated pursuant to section 6.

(7) To conspire, combine, agree, or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this Act.

(b) It shall be unlawful for any association to engage or to permit an employee or agent to engage in any of the following practices, which are hereby defined as unfair practices:

(1) To refuse to bargain in good faith with a handler designated pursuant to section 6.

(2) To coerce or intimidate a handler to breach, cancel, or terminate a marketing contract with an association or a contract with a member of an association.

(3) To make or circulate false reports about the finances, management, or activities of an association or a handler.

(4) To coerce or intimidate a producer to breach, cancel, or terminate a membership agreement or marketing contract with an association.

(5) To conspire, combine, agree, or arrange with any other person to do or aid or abet the doing of any practice which is in violation of this Act.

Bargaining in Good Faith

Sec. 5. (a) "Bargaining" is the performance of the mutual obligation of a handler and an accredited association to meet at reasonable times and for reasonable periods of time for the purpose of negotiating in good faith with respect to the price, terms of sale, compensation for products produced under contract, or other provisions relating to the products that are marketed by the members of such accredited association or by the association as their agent. Such obligation on the part of any handler shall extend only to accredited associations and the products with respect to which such associations are accredited to bargain. Such obligation does not require either party to agree to a proposal or to make a concession.

(b) If a handler purchases a product from other producers under terms more favorable to such producers than the terms negotiated with an accredited association for such product, he shall offer the same terms to the accredited associations. In comparing such terms, there shall be taken into consideration, in addition to the stipulated purchase price and without limiting the generality of the foregoing, any bonuses, premiums, hauling or loading allowances, reimbursement of expenses, or payment for special services of any character which may be paid by the handler, and any sums paid or agreed to be paid by the handler for any other designated purpose than payment of the purchase price.

Accreditation of Associations of Producers

Sec. 6. (a) An Association seeking accreditation to bargain for producers of an agricultural product or products shall submit to the Secretary a petition for accreditation. The petition shall: (1) specify the agricultural product or products for the producers of which the association seeks accreditation to bargain; (2) designate the handlers, individually or by production or marketing area or by some other appropriate classification, with whom the association shall be accredited to bargain; and (3) contain such other information and documents as may be required by the Secretary.

(b)(1) Upon receiving the petition and any supporting material, the Secretary shall give notice of the petition to all designated handlers. Handlers who have been designated individually shall receive personal notice; handlers who have been designated by production or marketing area or by some other general classification shall be given notice through the Federal Register. Both the association seeking accreditation and the designated handlers shall have an opportunity to submit written evidence, views, and arguments to the Secretary, who may in his discretion conduct an informal proceeding. The Secretary shall hold a formal hearing for the reception of testimony and evidence only if he finds that there are substantial unresolved issues of material fact.

(2) The Secretary shall accredit such association if, based upon the evidence submitted, the Secretary finds—

(A) that under the charter documents or bylaws of the association, it is owned and controlled by producers;

(B) that the association has contracts with its members empowering the association to sell or negotiate terms of sale of the products of its members that are binding under State law;

(C) that the association represents a sufficient number of producers or that its members produce a sufficient quantity of agricultural products to enable it to function as an effective agent for producers in bargaining with the designated handlers. In making this finding, the Secretary shall exclude any quantity of the agricultural products contracted by producers with producer owned and controlled processing cooperatives and any quantity of such products produced by handlers; and

(D) that the association has as one of its functions acting as principal or agent for its members in negotiations with handlers for prices and other terms of trade with respect to the production, sale, and marketing of their products.

(c) The Secretary shall give notice of his decision to the petititioning association and to the designated handlers, together with a concise statement of his reasons. The Secretary shall also give notice of any accreditation to all other associations that have been accredited to bargain with respect to the product or products with any of the designated handlers.

(d) Each accredited association shall submit an annual report to the Secretary in such form and including such information as the Secretary by regulation may require so as to enable him to determine whether the association continues to meet the standards for accreditation.

(e) If the Secretary believes that an accredited association has ceased to meet the standards for accreditation set forth in paragraph (b) of this section he shall notify the association of the respects in which he believes it has ceased to maintain such standards and allow it a reasonable time to answer or to correct the deficiencies noted. Thereafter, if the Secretary is not satisfied that the association is then in compliance with paragraph (b) of this section, he shall notify the association and hold a hearing to consider the revocation of accreditation. If, based upon the evidence submitted at the hearing, the Secretary finds that the association has ceased to maintain the standards for accreditation, he shall revoke the accreditation of such association.

(f) The Secretary may, upon his own motion or the petition of an accredited association or a designated handler, amend his order of accreditation with respect to the product or products specified therein. The Secretary shall give notice of any proposed amendment and the reasons therefor to all accredited associations and handlers that would be directly affected thereby and shall provide an opportunity for a public hearing. Thereafter, the Secretary may amend the order if he finds such amendment will be conducive to more effective bargaining and orderly marketing by the accredited association of the product or products of its members.

Assignment of Association Dues, Fees, or Retains

Sec. 7. If a producer of a farm product voluntarily executes, either as a clause in a sales contract or other instrument in writing, an assignment of dues or fees to or the deduction of a sum to be retained by an association authorized by contract to represent such producer, by which the handler is directed to deduct a sum from the amount to be paid for such product, or for the services of such producer under a growing contract, and on behalf of the producer to pay the same over to such association as dues or fees or funds to be retained by the association, and causes notice of such assignment to be delivered to a handler, then such handler shall deduct the amount authorized from the amount paid for any farm product being sold by any such producer or for any services under any growing contract and, upon payment to producers for such farm product or services, pay said amount over to the association or its assignee.

Mediation and Arbitration

Sec. 8. The Secretary may provide mediation services if requested either by an accredited association or by a designated handler engaged in bargaining with an accredited association and if, in the Secretary's judgment, an impasse in bargaining has occurred. The Secretary shall provide assistance in proposing and implementing arbitration agreements between accredited associations and designated handlers. The Secretary may establish a procedure for compulsory and binding arbitration if he finds that an impasse in bargaining exists and such impass will result in a serious interruption in the flow of product to consumers or will cause substantial economic hardship to producers or handlers involved in the bargaining.

Administration

Sec. 9. (a)(1) Whenever it is charged that an accredited association or handler has violated or is violating section 4 (a)(6) or (b)(1) of this title, the Secretary shall issue and cause to be served upon the person charged a complaint stating the charges. The complaint shall summon the named person to a hearing before the Secretary at the time and place therein fixed.

(2) Whenever it is charged that an association or handler has violated or is violating any other provision of this title, the Secretary shall investigate such charges. If, upon such investigation, the Secretary has reasonable cause to believe that the person charged has violated such provision, he shall issue and cause to be served upon the person so charged a complaint stating the charges. The complaint shall summon the named person to a hearing before the Secretary at the time and place therein fixed.

(b) The person complained of shall have the right to file an answer to the original and any amended complaint and to appear in person or otherwise and give testimony. The person who filed the charge shall also have the right to appear in person or otherwise and give testimony.

(c) If, upon a preponderance of the evidence, the Secretary is of the opinion that the person complained of has violated any provision of this title, he shall state his findings of fact and shall issue and cause to be served on such person an order requiring such person to cease and desist from such violation and shall order such further affirmative action, including an award of damages to the person filing the charge, as will effectuate the policies of this title.

(d) The Secretary may make such rules, regulations, and orders as may be necessary to carry out the provisions of this Act, and may cooperate with any department or agency of the Government, any State, territory, District, or possession, or department, agency, or political subdivision thereof, or any person; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law, and make such expenditures for rent outside the District of Columbia, printing, binding, telegrams, telephones, law books, books of reference, publications, furniture, stationery, office equipment, travel, and other supplies and expenses, including reporting services, as shall be necessary to the administration of this Act in the District of Columbia and elsewhere, and as may be appropriated for by Congress; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for such purpose.

Independent Enforcement Authority

Sec. 10. The Secretary may at any time institute an inquiry on his own motion, in any case and as to any matter for which a charge is authorized to be made to or before the Secretary by section 9 of this title. The Secretary shall have the same power and authority to proceed with any inquiry instituted upon his own motion as though a charge had been filed with him, including the power to make and enforce any order.

Judicial Review

Sec. 11. (a) Any person aggrieved by a final order of the Secretary issued under section 9 of this Act or under section 6(b)(2), 6(e), or 6(f) of this Act, may obtain review of such order in the United States Court of Appeals for the District of Columbia Circuit by submitting to such court within thirty days from the date of such order a written petition praying that such order be modified or set aside.

(b) The findings of the Secretary with respect to questions of fact, if supported by substantial evidence on the record, shall be conclusive.

(c) Orders of the Secretary with respect to which review could have been obtained under paragraph (a) of this section shall not be subject to judicial review in any civil or criminal proceeding for enforcement.

(d) If no petition for review, as provided in paragraph (a) of this section, is filed within thirty days after service of the Secretary's order, the Secretary's findings of fact and order shall be conclusive in connection with any petition for enforcement which is filed by the Secretary after the expiration of such thirty-day period. In any such case, the clerk of the court, unless otherwise ordered by the court, shall forthwith enter a decree enforcing the order and shall transmit a copy of such decree to the Secretary and the person named in the complaint.

(e) The commencement of proceedings under this section shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

Federal Enforcement

Sec. 12. (a) Whenever on the basis of any information available to him the Secretary finds that any person is in violation of section 4 of this title or in violation of any order of the Secretary, he shall bring a civil action in accordance with paragraph (b) of this section.

(b) The Secretary is authorized to commence a civil action for appropriate relief, including a permanent or temporary injunction. Any action under this paragraph may be brought in the district court of the United States for the district in which the defendant is located or resides or is doing business, and such court shall have jurisdiction to restrain such violation and to require compliance.

(c) Any person who violates section 4 of this title or any order of the Secretary issued under section 9 or 10 of this title shall be subject to a civil penalty not to exceed $500 per day of such violation.

(d) Any person who wilfully violates section 4 of this title, or any order of the Secretary under section 9 or 10 of this title, shall be punished by a fine of not less than $500 nor more than $1,000 per day of such violation or by imprisonment for not more than one year, or both.

Civil Remedies

Sec. 13. (a) Except as provided in paragraph (b) of this section, any person may commence a civil action on his own behalf—

(1) against any person who is alleged to be in violation of section 4 of this title or of any order issued by the Secretary under section 9 or 10 of this title; or

(2) against the Secretary when there is alleged a failure of the Secretary to perform any act or duty under this title which is not discretionary with the Secretary.

The district courts shall have jursidiction, without regard to the amount in controversy or the citizenship of the parties, to enforce such section or order (including the issuance of a permanent or temporary injunction or restraining order), or to order the Secretary to perform such act or duty as the case may be, and to apply any appropriate civil penalties under section 12 of this title.

(b) No action may be commenced—

(1) under paragraph (a)(1) of this section—

(A) prior to sixty days after the plaintiff has given notice of the alleged violation to the Secretary and to the alleged violator, or

(B) if the Secretary has commenced and is diligently prosecuting a civil or criminal action in a court of the United States to require compliance with such section or order, but in any such action any person may intervene as a matter of right;

(2) under paragraph (a)(2) of this section prior to sixty days after the plaintiff has given notice of such action to the Secretary.

(c) Any person aggrieved by reason of any violation of, or combination or conspiracy to violate any provision of section 4 of this Act may bring an action in the appropriate district court of the United States without respect to the amount of the controversy, and shall recover damages therefor. Any action to enforce any cause of action under this subsection shall be forever barred unless commenced within two years after the cause of action arose.

(d) The court, in issuing any final order in any action brought pursuant to paragraph (a) or (c) of this section, may award costs of litigation (including reasonable attorney fees) to any party, whenever the court determines such award is appropriate.

(e) The district courts of the United States shall have jurisdiction of proceedings instituted pursuant to this section and shall exercise the same without regard to whether the aggrieved party shall have exhausted any administrative or other remedies that may be provided by law, except as provided in paragraph (b) of this section.

Investigative Powers of Secretary

Sec. 14. (a) Whenever required to carry out the objectives of this title, including the conduct of any investigations or hearings—

(1) the Secretary shall require any person to (i) establish and maintain such records, (ii) make such reports, and (iii) provide such other information as he may reasonably require; and

(2) the Secretary or his authorized representative, upon presentation of his credentials and a warrant or such other order of a court as may be required by the Constitution—

(i) shall have a right of entry to, upon, or through any premises in which records required to be maintained under paragraph (a)(1) of this section are located, and

(ii) may at reasonable times have access to any copy any records, which any person is required to maintain or which relate to any matter under investigation or in question.

(b) Any records, reports, or information obtained under this section shall be available to the public except that upon a showing satisfactory to the Secretary that such records, reports, or information, if made public, would divulge confidential business information, the Secretary shall consider such record, report, or information or particular portion thereof confidential in accordance with section 1905 of title 18, United States Code, except that such record, report, or information may be disclosed to other officers, employees, or authorized representatives of the United States concerned with carrying out this title or when relevant in any proceeding under this title.

(c)(1) In making inspections and investigations under this title, the Secretary may require the attendance and testimony of witnesses and the production of evidence under oath.

(2) The Secretary, upon application of any party to a hearing held under section 9 or 10 of this title, shall forthwith issue to such party subpenas requiring the attendance and testimony of witnesses or the production of evidence requested in such application. Within five days after the service of a subpena on any person requiring the production of any evidence in his possession or under his control, such person may petition the Secretary to revoke such subpena. The Secretary shall revoke such subpena if in his opinion the evidence whose production is required does not relate to any matter in question, or if such subpena does not describe with sufficient particularity the evidence whose production is required.

(d) The Secretary, or any officer or employee designated by him for such purpose, shall have power to administer oaths, sign and issue subpenas, examine witnesses, and receive evidence. Witnesses shall be paid the same fees and mileage allowance as are paid witnesses in the courts of the United States.

(e) In the case of any failure or refusal of any person to obey a subpena or order of the Secretary under this section, any district court of the United States or the United States courts of any territory or possession, within the jurisdiction of which such person is found or resides or transacts business, upon the application by the Secretary shall have jurisdiction to issue to such person an order requiring such person to appear to produce evidence if, as and when so ordered to give testimony relating to the matter under investigation or in question. Any failure to obey such order of the court may be punished by said court as a contempt thereof.

State Authority

Sec. 15. This Act shall not invalidate the provisions of any existing State legislation dealing with the same subjects as this Act, nor shall this Act prevent any State from enacting legislation similar to existing State legislation, except that such similar legislation may not permit any action that is prohibited under this title.

Separability of Provisions

Sec. 16. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and of the application of such provision to other persons and circumstances shall not be affected thereby.

Repeal of Agricultural Fair Practices Act of 1967

Sec. 17. The Agricultural Fair Practices Act of 1967 (Public Law 90-288,7 U.S.C.A. 2301 et seq.) is hereby repealed effective on the day after the date of enactment of this title: *Provided, however,* That such repeal shall not affect any act done or any right accruing or accrued, or any act or proceeding had or commenced in any civil cause, before such repeal.

Appendix E
Agricultural Marketing Legislation In Ontario

Agricultural Marketing Legislation in Ontario[1]

(Revision of Factsheet "Agricultural Marketing Legislation in Ontario" May 1973)

A. Contini, Economics Branch

The Farm Products Marketing Act and the Ontario Milk Act form the legislative basis for the regulation of agricultural marketing whereby Ontario farmers can sell their products collectively. Under the former, commodity marketing plans administered by local producer boards may be established. Powers considered necessary to the effective operation of each marketing plan are delegated to the boards by the Farm Products Marketing Board. At present there are 20 active marketing plans in Ontario covering some 42 commodities. In addition, there are two marketing boards in the dairy sector established under the Ontario Milk Act and supervised by the Milk Commission of Ontario. The support of a majority of producers of a given commodity is required for the establishment of a plan, but once a plan is approved, however, it becomes binding on all producers of that commodity.

In general, the activities of the producer boards are aimed at the following objectives:

1. to ensure adequate prices and incomes to producers of the regulated product;
2. to stabilize prices and incomes from the sale of that product by reducing severe fluctuations between high and low prices;
3. to arrange an adequate supply of quality product to meet the needs of the consuming public domestically and to fill export opportunities;
4. to improve efficiency in the marketing system;
5. to provide uniform terms and conditions of sale for that product, as well as to ensure equity of payment to producers; and
6. to increase demand and expand markets through product promotion and market development.

Marketing Plans

The potential impact of compulsory marketing legislation depends on the powers granted to a particular marketing board and how these powers are exercised. In this respect, the many marketing boards differ considerably; however, all have a common power to collect licence fees from producers. Boards may be classified into three categories as follows:

Promotional-Type Plans

These plans have limited powers and can use the marketing legislation mainly to authorize the collecting of fees from producers for promotional and research purposes. Whereas, the Ontario Egg and Fowl Marketing Plan was in this category in the past, there is no plan of this type at present.

Negotiating-Type Plans

Next, in terms of powers granted are negotiating-type plans which provide for the annual negotiation of minimum prices between producers and buyers and of terms and conditions of sale. There are seven such plans at present:

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[1] From "Factsheets," November 1977, Agdex 847. Order No. 77-052. Ministry of Agriculture and Food, Ontario, Canada.

Asparagus Growers' Marketing Board
Grape Growers' Marketing Board (for processing)
Seed Corn Growers' Marketing Board
Soya-Bean Growers' Marketing Board
Vegetable Growers' Marketing Board (includes 13 regulated vegetables for processing)
Potato Growers' Marketing Board (for processing)
Processing Tomato Seedling Plant Growers' Marketing Board

In several of these plans a buyer can choose the producers with whom he is willing to contract for his requirements, but all buyers and producers individually are bound by the terms of a collective contract which is established each year.

Agency-Type Plans

Agency-type plans may exercise broad functions in regard to the marketing of the regulated commodities, including price setting, selling of product directly or through agents and pooling of returns to producers.

In ten plans, the boards establish minimum price after evaluating marketplace conditions and frequently following industry consultation through advisory committees:

Egg Producers' Marketing Board
Turkey Producers' Marketing Board
Wheat Producers' Marketing Board
Bean Producers' Marketing Board
Chicken Producers' Marketing Board
Fresh Fruit Growers Marketing Board (includes peaches, pears, plums, prunes sold on fresh market)
Fresh Grape Growers' Marketing Board
Greenhouse Vegetable Producers' Marketing Board
Tender Fruit Growers' Marketing Board (includes peaches, pears, plums, prunes for processing)
Apple Marketing Commission

It must be noted that for most of the above commodities, the boards establish price in response to marketplace factors. However, price for eggs, turkeys and chickens are established at regular periods by updating data in cost of production formulae.

The minimum price of apples for sale at wholesale and retail levels is established by the Ontario Apple Marketing Commission. The Commission is not strictly a producer board as its membership includes a retailer, consumer dealers and processors, and 12 elected apple producers. In addition to pricing the Commission also undertakes promotional activities.

In three other plans, the boards operate marketing facilities in order to establish price and sell the regulated product by open auction:

Pork Producer's Marketing Board
Flue-Cured Tobacco Growers' Marketing Board
Burley Tobacco Growers' Marketing Board

In addition to selling individual lots through auction the Tobacco Board has recently negotiated with processors on minimum average prices. The Board and buyers agree on a target for the amount of tobacco to be offered through the auction. From this amount the Board calculates the quota for each producer.

The two marketing boards operating in the dairy sector are the Ontario Milk Marketing Board (which controls the marketing and pricing of all Grade A milk and industrial milk) and the Ontario Cream Producers' Marketing Board (which negotiates prices and terms of sale for farm-separated cream).

The highest degree of control exists where boards are given, and use the power to regulate the amount being offered for sale through production controls or marketing quotas. These are mainly applied in the poultry sector, where special conditions call for supply management of broiler chickens, turkeys and eggs. The egg and turkey boards are associated with Canadian marketing agencies that establish national quotas for production. The only other commodities where supply management is practiced are tobacco and milk.

Constraints on Boards' Powers

Although some producer marketing boards have been delegated substantial powers they are subject to definite constraints both from the market place and from regulatory and supervisory bodies. In fact, the Farm Products' Marketing Board and the Milk Commission closely supervise the producer boards under their jurisdiction and constantly review their operations to ascertain that all actions taken by them are within the terms of the respective marketing plan and Act. The Farm Products Marketing Board serves as an appeal body to rule on any order, direction or decision of a commodity board, to ensure equal and fair treatment to all persons affected by the actions of producers' boards. For some commodities, processors have the right to appeal the local board's decision on either quota or price or both. Similarly, the Milk Commission acts as an appeal tribunal for the milk industry.

Impact of Marketing Legislation

The importance of marketing legislation in Ontario agriculture is indicated by:

1. the proportion of total farm cash income received from products sold under marketing plans; and
2. the number of producers associated with marketing boards.

Proportion of Total Farm Cash Income

In 1976, 60% of the farm cash income in Ontario was obtained from products for which a marketing plan was in effect (Table 1).

There are considerable differences between commodity groups. In the animal group, 39% of the farm cash income was obtained through marketing plans. This reflects the absence of marketing plans for cattle and sheep. In the case of animal products, however, the high proportion (94%) is accounted for mainly by plans covering dairy products.

The proportion of farm cash income received from field crops covered by marketing plans was quite high, at 62% Grain corn and potatoes for the fresh market are the only major field crops not covered by a marketing plan.

Less than half (43%) of Ontario's vegetables were marketed under marketing plans in 1976. This figure includes most vegetables for processing, but excludes vegetables for the fresh market. In the case of fruits, the proportion marketed under plans was higher, 81%, because major fruit crops are covered by marketing plans both for the fresh market and for processing.

Number of Producers

The number of producers participating in specific marketing plans exceeds the number of census farmers in Ontario in 1976 (Table 2). This is due to multiple counting as farmers may be members of more than one board. On the basis of information

available at present it is not possible to eliminate such multiple counting and arrive at an estimate of producers who do not come under any existing marketing plan. It is expected that producers excluded from any marketing board would be mainly those who specialize in beef cattle production and grow only feed grains and forage crops.

Table 1. Estimates of the proportion of farm cash income received from products marketed under marketing plans in Ontario, by commodity, 1976

	Total farm cash income	Products marketed under marketing legislation	
		Value	Proportion of total farm cash income
	thousand dollars		percent
Hogs	286,886	271,000	94"
Cattle and calves	644,128	–	–
Sheep and Lambs	4,657	–	–
Poultry:			
Chickens	112,767	101,500	90
Turkeys	53,357	53,357	100
Others	2,381	–	–
Total animals	1,104,176	425,857	39
Dairy Products	547,020	547,020	100
Eggs	108,851	93,600	86
Other livestock or products[a]	26,509	–	–
Total animal products	682,380	640,620	94
Potatoes	43,627	10,000	23
Tobacco	197,147	197,147	100
Wheat	80,346	80,346	100
Soybeans	77,812	77,812	100
Corn, shelled	153,060	–	–
Other grains[b]	9,056	–	–
Other crops[c]	112,666	50,500	45
Total field crops	673,714	415,805	62
Vegetables	143,890	61,300	43
Fruits	58,970	47,600	81
Forest and maple products	4,176	–	–
GRAND TOTAL	2,667,306	1,591,182	60

[a]*Includes wool, honey, fur farming and other minor livestock.*
[b]*Includes oats, barley, rye and flaxseed.*
[c]*Includes greenhouse products, dry beans, seed corn and other minor crops.*
Sources: Statistics Canada, Farm Cash Receipts, 1976, Cat. 21-201; Ontario Farm Products Marketing Board; and individual commodity marketing boards.

Table 2. Number of producers whose products were under the jurisdiction of marketing boards in Ontario, 1976

Commodity Boards	Regulated Producers
Apple Commission	832
Asparagus Board	168
Bean Board	3,300
Burley Tobacco Growers	430
Chicken Producers	816
Egg Producers Board	950
Flue-Cured Tobacco Growers	2,596
Fresh Fruit Growers	2,100
Fresh Grape Growers	1,200
Grape Growers (processing)	836
Greenhouse Vegetable Producers	350
Pork Producers	16,000
Potato-for-Processing	134
Processing Tomato Seedling Plant Growers	20
Seed Corn Growers	290
Soybean Growers	12,000
Tender Fruit (processing)	1,069
Turkey Producers	225
Vegetable Growers (processing)	2,632
Wheat Producers	18,000
Milk Marketing Board	15,535
Cream Producers' Board	3,521
TOTAL	83,004

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United States
Department of
Agriculture

Economics,
Statistics, and
Cooperatives Service

Cooperative
Information
Report No. 27

Small Fresh Fruit and Vegetable Cooperative Operations

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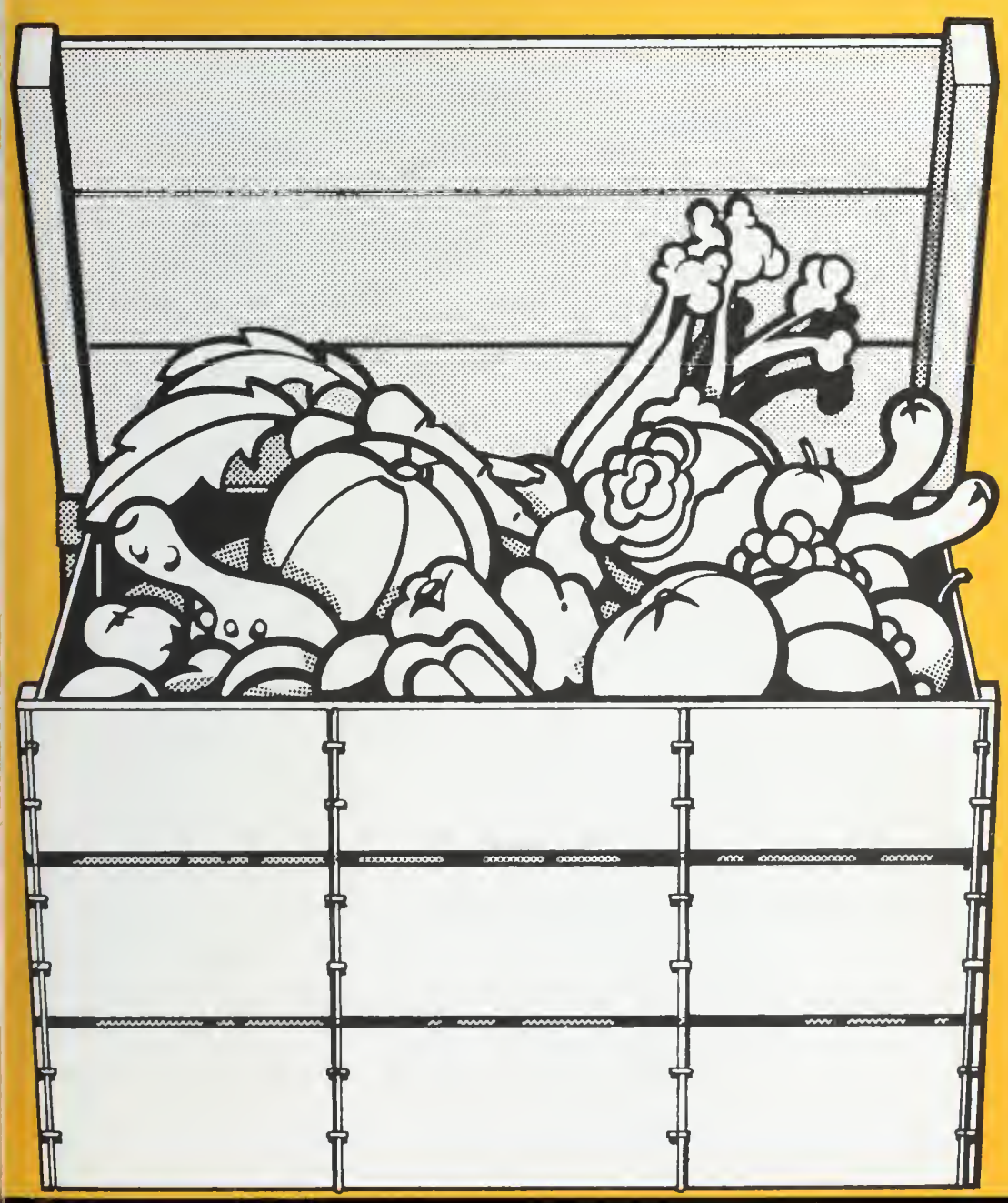

SMALL FRESH FRUIT AND VEGETABLE COOPERATIVE OPERATIONS. Fred E. Hulse, Gilbert W. Biggs, and Roger A. Wissman. Cooperatives Program; Economics, Statistics, and Cooperatives Service; U.S. Department of Agriculture. Cooperative Information Report No. 27.

ABSTRACT

Thirty-four small fruit and vegetable cooperatives using different sales methods—auctions, sales agencies, and their own sales staffs—varied importantly in number and type of services provided, production and marketing supplies handled, grower payment methods, grower marketing agreements, and financing methods used. Their operating problems and causes for the demise of four cooperative operations are reviewed. A set of guidelines directed to the organization and operation needs of small fruit and vegetable cooperatives is included.

Keywords: Organization, operation, sales methods, financing, guidelines, fruits, vegetables, cooperatives

This publication supersedes FCS Information 106, "Small Fresh Fruit and Vegetable Cooperative Operations," June 1977.

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PREFACE

This report supersedes FCS Information 106. Substantial modifications in the original report have been made to better fill current requests for information on small fruit and vegetable cooperatives. New emphasis is on the functions performed by the 34 cooperatives studied rather than on the commodities they handle. Guidelines have also been revised substantially to emphasize important requirements in organizing fruit and vegetable cooperatives for most efficient and effective operations.

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HIGHLIGHTS

This study provides fruit and vegetable growers with information on 34 small fruit and vegetable cooperatives, how they served their members, and how similar operations might provide other producers with marketing, supply purchasing, and other services.

Most had product sales of less than $1 million annually. Membership averaged 262. Twenty-nine cooperatives had an average of three full-time employees. All 34 associations employed an average of 57 part-time workers. All but five employed full-time, year-round managers.

Thirteen handled primarily fruits and 21 handled mostly vegetables. Five handled some combination, although the primary emphasis was on fruits or vegetables.

Operations were influenced by the kind of products handled, kinds of marketing services provided, and particularly by the sales methods used. Seven used auction sales. Nineteen handled sales using their own staffs, and eight used sales agencies.

Cooperatives using auction sales primarily handled vegetables. The products were usually packed on the farm, but Federal-State inspectors were available to check grades at most auction markets. All auctions made sales for growers' accounts.

Cooperatives using their own sales staffs to market members' products assumed responsibility for the quality and condition of products sold to buyers often located many miles from the production area. Available marketing services enhanced the value of products marketed, but they also helped develop packs of consistent quality. Those services most widely used by these organizations included grading, cooling, storing, packing, washing, and arranging for transportation. About half of these cooperatives provided farm chemicals, fertilizer, seed, packaging, and other supplies.

Sales by cooperatives using their own staffs were made directly to buyers, through brokers, and on a consignment basis. Direct sales were most widely used and consignments were used sparingly. Buyers purchasing directly were mostly wholesalers and retail chains. Buying brokers and processors also made some direct purchases.

Payment for growers' individual accounts was the most important grower payment method used by about two-thirds of the cooperatives handling their own sales, and the other third used pooling. Marketing agreements were used by about half of the associations handling their own sales.

Cooperatives using sales agencies were primarily fruit handlers. All of these organizations provided washing, grading, cooling, packing, and storage services. Like the local cooperative, the associated sales agency enforced rigid standards of product quality to protect its reputation and that of any brands or trademarks used to identify products it marketed.

Pooling was the primary grower payment method of cooperatives using sales agencies. Also, marketing agreements were used by most of these cooperatives.

Financial assets of cooperatives using auctions were substantially less than those of the other associations. Equity capital equaled about two-thirds of assets for associations using auctions and sales agencies, but only a little more than one-third for associations handling their own sales. This low level of equity was influenced by three cooperatives which had been recipients of grant monies, and was not typical of operations generally.

Some of the associations borrowed from the banks for cooperatives and a few had loans guaranteed by the Farmers Home Administration. A commonly used method of obtaining equity capital was to retain part of the members' patronage refunds. Another method was to retain for each unit handled a specified amount as a per unit capital retain. Revolving funds were the most common method used to return members' equity.

Reported operating problems were mostly labor related or had to do with obtaining or maintaining sufficient product volume. Four cooperative cases are briefly reviewed to provide insight to reasons for termination.

Of the 34 cooperatives surveyed in 1974, 28 were active in 1979. Product sales data for 25 of these 28 cooperatives showed little change in operating volume when deflated to 1974 dollars. No major changes were noted in operations of these cooperatives since 1974.

A set of guidelines for organization and operation of a cooperative is presented. These guidelines are especially directed to the needs of small fruit and vegetable cooperatives.

Small Fresh Fruit and Vegetable Cooperative Operations

Fred E. Hulse, Gilbert W. Biggs, and Roger A. Wissman *

INTRODUCTION

This report describes operations of 34 small fruit and vegetable cooperatives in the United States. It provides fruit and vegetable growers information on how these small yet diverse cooperatives served the needs of their members, and how other such operations might be formed to provide producers with marketing, supply purchasing, or other services.

Operations of all fruit and vegetable marketing cooperatives having annual product sales of $1 million or less in 1974 and four cooperatives that failed in the early seventies are examined. Two of the 34 cooperatives studied had product sales of more than $1 million and six had combined product and supply sales in excess of $1 million. Guidelines are also presented for the organization and operation of small fruit or vegetable cooperatives.

The 34 small fresh fruit and vegetable marketing cooperatives examined in this report vary considerably in products handled, business volume, services provided, facilities used, location with respect to markets, and many other ways. Although these differences appear very pronounced, all operations had the common objective of providing efficient marketing services and used one of three basic sales patterns: auction sales, sales through a marketing agency, or sales by the cooperative's own staff. These associations provide examples of how small producers have worked together to build marketing organizations, meet problems, and seek solutions.

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Five of the cooperatives included here handled both fruits and vegetables. One classified as a fruit association handled a small volume of vegetables and the others classified as vegetable associations handled small volumes of fruit. Two of the five operated as auction markets and three handled their own sales.

Fruit cooperatives provided more packing facilities, but fewer supply services than vegetable cooperatives. Eleven of the 13 fruit associations had packing facilities, and 13 of 21 vegetable associations packed produce. Seventeen of 21 vegetable associations, and 8 of 13 fruit associations offered supply services.

These cooperatives have realized varying degrees of success. Differences apparently stemmed from membership needs and area of operation. The degree of effectiveness depended on member commitment and management skills in handling operations.

Fruit cooperatives are generally more difficult to organize than vegetable cooperatives because of the nature of production. Fruit trees require several years to reach bearing age, while most vegetable crops are harvested in the year planted. Producers can do little in the short run to alter fruit production once it is underway. Initially, this may make grower commitment of the necessary tonnage for operations a difficult objective to attain. But, in the longer term, these production characteristics of fruit generate strong producer commitment to ongoing cooperatives and generally result in those associations having stronger financial positions than vegetable cooperatives.

ORGANIZATIONAL STRUCTURE

The organizational structure of these small fresh fruit and vegetable cooperatives varied in membership requirements, numbers and terms of officers, management responsibilities, and number of employees. Differences generally originated with the requirements of producer-members and economic conditions at the time of organization.

Membership

Membership of the 34 associations averaged 262. Since organization, the combined membership of these cooperatives has doubled.

Twenty-one vegetable associations averaged 359 members; 13 fruit associations averaged 106 members. Those associations with the largest memberships generally served smaller producers.

Membership in these cooperatives was open to all who qualified as producers and met the other conditions established by each cooperative.

Four citrus cooperatives required written application for membership, and approval by a majority vote of the board of directors. No entrance, organization, or membership fee was charged. However, new members were required to file an agreement to abide by all bylaws, rules, and regulations and to use the cooperative's facilities for packing and marketing their citrus. Marketing agreements were used by all four citrus cooperatives.

Membership in nine cooperatives handling deciduous fruit required board approval and the signing of an agreement accepting bylaws and other rules. Eight of these nine cooperatives required new members to have some type of financial interest in the cooperative. Five charged a nominal membership fee, while three others required an investment of one share of common stock. Four required members to sign a marketing agreement.

Bylaw and regulation compliance as a condition of membership in the vegetable cooperatives was similar to that of the fruit cooperatives. Sixteen of 21 vegetable cooperatives assessed a nominal entrance fee or small annual charge. Four of the remaining five required the purchase of one share of common stock. Seven of these cooperatives used marketing agreements.

One-member, one-vote was the general principle for exercising member control of these fruit and vegetable cooperatives. Five cooperatives allowed additional votes for some stipulated amount of member equity.

Management

Management responsibility in a cooperative is divided three ways: among the board of directors, hired management, and members. The board of directors is generally responsible for association policy, operational plans, operational evaluations, establishment of controls, and approval of distribution of net savings. Hired management is responsible for

implementing policy and plans, supervising operations, and assisting the board in its duties. Members have responsibilities for adopting and amending articles and bylaws, approving changes in the association's capital structure, facilities and services, electing or removing directors, and requiring officers and directors to be in compliance with incorporation and bylaw provisions.

Directors and Officers

The number of directors in the 34 cooperatives ranged from 5 to 20, with three-quarters of the boards numbering 7 to 9 directors. Term of office ranged from 1 to 4 years with more than half of the associations electing directors for 3-year staggered terms.

Boards usually elected officers at their first meeting after the annual meeting. Presidents and vice presidents were required to be directors but, in most cases, secretaries and treasurers were not required to be directors.

Boards had authority to appoint committees for studying and recommending action on various policies and operations. However, 18 of the 34 boards operated without committees. Seven boards had 1 committee, four had 2 committees, three had 3 committees, one had 7 committees and one had 11 committees.

Of those boards using committees, four had an annual meeting committee and three had an executive committee. Other committees were appointed to study and recommend action on facility, finance, marketing, and public relations matters.

Hired Management

Hired management of these 34 cooperatives ranged from part-time help to a full-time management team. Managers of 29 of these cooperatives were full-time, year-round employees. Three of the five part-time managers served auction associations.

Managers' most immediate concern depended on the services provided by the cooperative. If, for instance, the cooperative had packing facilities, a considerable part of the manager's time was given to supervision of grading and packaging, particularly if sales were made through a large marketing cooperative, joint sales agency, or other marketing organization. If the cooperative handled its own sales, a large part of the manager's time involved marketing.

Employees

All 34 of the cooperatives employed part-time workers and 29 employed full-time workers. Including workers employed in seasonal harvest operations, the number of part-time employees averaged 57. Full-time workers averaged three with little variation between types of operations. Part-time employees averaged 23 for auctions, 36 for associations handling their own sales, and 138 for cooperatives using sales agencies.

PRODUCTS

Operations of the 34 cooperatives have been influenced not only by the kinds of products marketed for their members, but by the kinds of marketing services provided to move those products into the channels of trade. Services performed provide a more revealing basis for analyzing operations than do products sold.

Fruit cooperatives handle fewer products than vegetable cooperatives. However, when number of products handled is considered on the basis of kind of sales operation, five of seven cooperatives operating auction sales handled three or more products, and three of those seven cooperatives handled six or more products (table 1). This is in sharp contrast with six of eight cooperatives using sales agencies that handled no more than two products. The 19 cooperatives making their own sales were more evenly divided, with 11 handling no more than three products and 8 handling four or more products.

Table 1—Products handled by the 34 cooperatives

Commodities handled	Cooperatives using—			Total
	Auction sales	Own sales staffs	Sales agencies	
		Number		
1	1	3	4	8
2	1	2	2	5
3	2	6	1	9
4	0	1	0	1
5	0	2	1	3
6 or more	3	5	0	8
Total	7	19	8	34

SALES METHODS

The seven auction cooperatives were, with one exception, vegetable associations. The cooperatives using sales agencies included all four citrus cooperatives, three deciduous fruit cooperatives, and one vegetable cooperative. Fourteen vegetable associations and five deciduous fruit associations handled their own sales.

Auctions

Product sales of the seven auction associations ranged from $108,500 to $1,417,725 in the year studied. Five had production or marketing supply sales ranging from $2,800 to an estimated $510,500 during the same period.

Services included providing the auction facilities and making packaging supplies available to growers (table 2). Washing, grading, cooling, packing, and storage services were provided on a limited basis. Only one or two cooperatives were involved in offering each service. Two auction associations handled production supplies—one offering fertilizer, the other farm chemicals.

Auction associations have been concerned with having available the kind and quality of products that attract buyers. Buyers' wants have been generally well known. Auction managers pass this information on to growers in the market area. They also keep prospective buyers informed about auction opening dates, product availability, and condition. Prices and general product availability information is provided by Federal and State market news services and through managers' contacts with buyers. This information was relayed to growers mostly through the local media and in personal contacts.

Growers usually packed their products on the farm, but Federal-State inspectors have been available at many auctions to check grades, either as a requirement of growers doing business there, or when buyers requested that grading be checked.

All seven auctions made sales for growers' accounts. Auction costs were covered by block fees or package charges. Block fees ranged from 3 to 10 percent of sales for four associations. Package charges of 8 cents for each lug of tomatoes worked well for an auction that handled only this one product.

Table 2—Services and products supplied to members by the 34 cooperatives

Service or supply provided	Cooperatives using—			Total
	Auction sales	Own sales staffs	Sales agencies	
	Number			
Marketing services:				
Sales	7	19	8[1]	34
Harvesting	0	1	5	6
Washing	1	14	8	23
Grading	2	18	8	28
Cooling	1	17	8	26
Packing	1	15	8	24
Icing	0	5	0	5
Trucking[2]	0	13	5	18
Storage	2	16	8	26
Weighing	0	1	0	1
One or more services	7	19	8	34
Production and marketing supplies:				
Fertilizers	1	9	2	12
Seeds	0	9	0	9
Plants	0	6	0	6
Chemicals	1	11	2	14
Packaging materials	5	9	2	16
Tires and hardware	0	4	0	4
One or more supplies	5	16	4	25

[1] Eight associations depended on a cooperative sales agency or an exclusive sales agent to make their sales, but the local cooperative remains basically responsible for arranging for marketing members' products.

[2] Service generally consisted of arranging for transport, not supplying it.

Charges for other services provided and margins on supplies sold were sources of income for some associations, but some services such as the use of grading equipment were made available to growers at cost. Other sources of income for these auctions included the rental of facilities to firms engaged in associated agricultural enterprises such as an egg marketing operation.

The seven auctions sold primarily to local roadside market operations or to brokers. The brokers were actually buying brokers who pur-

chased produce for their own accounts and shipped to unidentified principals, a common practice in the produce business. Five of the seven auctions estimated that brokers purchased 70 percent or more of their volume.

Some auctions provided offices for buyers at no cost. Others provided special loading platforms or other facilities to attract buyers and expedite sales.

Using Own Sales Staffs

Produce receipts of the 19 cooperatives making their own sales ranged from $70,000 to $844,200 in 1974. Sixteen had production or marketing supply sales ranging from $6,300 to $621,500 during the same period. Fertilizers and farm chemicals accounted for the bulk of supply sales value by these 16 cooperatives.

In addition to sales and supplies, grading service was provided by 18 of these 19 cooperatives, cooling by 17, storage by 16, packing by 15, washing by 14, and some trucking services by 13 (table 2). Much of the trucking service provided was limited to arranging for transportation of purchased products. Other marketing services provided on a limited basis included icing, weighing, and harvesting.

About half of the 19 cooperatives handling their own sales provided supplies such as farm chemicals, fertilizer, seeds, or packaging materials. Some provided plants, tires, or hardware.

In contrast with the auction associations that provided essentially a place for growers to sell their produce and an auctioneer to conduct the sale, those cooperatives handling their own sales became the sellers and assumed responsibility for the quality and condition of the product sold to buyers often located many miles from the production area. Although many of the marketing services these cooperatives provided their members enhanced the value of the product marketed, they also helped develop packs of consistent product size and quality. Cooling was widely used for products requiring it. Most of the cooperatives providing grading services used Federal-State inspectors. Products thus serviced assured quality and protected both the cooperative and their buyers from the consequences of inferior or mislabeled packs.

Many fruit and vegetable cooperatives have used brands to identify their products. Following usual marketing strategy, they put their brand only on products of identified quality, such as one brand for products graded U.S. No. 1 and another for products graded U.S. No. 2. They then advertised those brands as representing those qualities.

Products packaged and branded by those cooperatives handling their own sales were distributed through the wholesale trade, and the value of their brands was limited to the impact on that trade. None of these organizations handled sufficient volume to efficiently package products in consumer-sized packs and none had advertising budgets substantial enough to reach consumers in a meaningful way.

Advertising budgets of these 19 cooperatives were small—mostly less than $1,000, but a few ranged up to $4,000 annually. Funds may have been allocated to a variety of uses, but half or more of the cooperatives' available monies were spent as follows: six used newspapers, five used trade papers, five used credit rating directories, two used radio or television, and one used a commodity program. This put the emphasis on trade advertising which is the logical choice considering the limitations of brand impact and market exposure.

Cooperatives using their own sales staffs sold directly to buyers, through brokers, or consigned products for sale on a commission basis. Only 5 of the 19 cooperatives used one method of sale exclusively. Two made all sales directly and three made all sales through brokers. However, 11 of these cooperatives used the direct method for most of their sales. Four used brokers for most of their sales, and only one used the consignment method for more than half its sales. Two divided their sales about equally between direct and broker methods and one divided its sales about equally between direct and consignment methods.

One particular method of sale can be as good or bad as another depending on the cost of using it, the integrity of the principals involved, and the availability of services. However, the use of a method probably provided the best measure of its worth for the 19 cooperatives. Direct sales were used most widely. Consignment sales were used only sparingly, and most times only as a last ditch measure.

These cooperatives sold primarily to wholesalers or retail chain stores. Six cooperatives made a major part of their sales to wholesalers and five shipped mostly to retail chains. Two sold only to brokers (buying

brokers), as did many of the auction associations, and three sold only to processors.

The type of buyer may not have been as important as individual buyer's requirements for particular products and services and their reliability as business people and credit risks. Prompt payment for the products and services provided has been extremely important for these small cooperatives and their members.

Methods of Grower Payment

Grower payment methods used by the 19 cooperatives handling their own sales included payment on growers' individual accounts or on a pooling basis. Twelve of these associations made payments on a grower's individual account basis exclusively. Five used pooling exclusively and two used a combination of payment for growers' individual accounts and pooling.

Pools set up by vegetable associations were of either daily or weekly duration. Seasonal pools were used by fruit associations. Differences in the length of pools often reflected crop perishability and price stability. Vegetable prices usually are more inclined to fluctuate than fruit prices, and lead to the use of shorter term pools.

The use of more than one payment method by one cooperative was related to end product uses. Pooling was used for processed product and an individual account basis used for fresh sales. For another association, short crops meant payment on an individual account basis and large crops meant pooling returns.

Operating costs were covered in a number of ways. Some associations handling their own sales covered costs with a percentage of gross sales charge. Some made a flat charge for each unit of product graded and packed. Some included selling costs in this unit charge. Others combined unit charges for handling with a percentage selling charge. Also, charges were made for other services provided growers. Margins on supplies sold provided additional income.

Marketing Agreements

Members are usually asked to make marketing commitments either as a condition of membership or in separate written contracts called marketing agreements. Provisions in some bylaws have been very specific about the obligations of growers and the cooperative with respect to such

things as delivering all products for marketing, assessment of costs for grading and packing, terms and conditions of payments to growers, and damages to be assessed for nonperformance. Marketing agreements may reinforce bylaw provisions, but in all cases they provide the opportunity to specify any cooperative rules or conditions with respect to marketing procedures.

Nine of the 19 cooperatives making their own sales used marketing agreements, in contrast to none being used by the seven auction associations. Where marketing agreements have been used, their main feature has been to commit all of the members' products to the cooperative for marketing. Three cooperatives had agreements allowing growers to deliver less than their total crop. One required at least 80 percent of the crop to be delivered if the cooperative helped the grower finance frost protection.

Using Sales Agencies

Produce receipts of the eight cooperatives using sales agencies to market their products ranged from $209,406 to $846,031 in 1974. Four had production or marketing supply sales ranging from $700 to $143,000 during the same period, with packaging materials accounting for the major part of these sales.

Four of these organizations were citrus cooperatives and Sunkist affiliates, and two were deciduous fruit cooperatives and Blue Anchor affiliates. An apple cooperative used an independent sales agent as did a tomato cooperative. These arrangements shift the day-to-day responsibility for sales from the local cooperative to a specialized staff with broad market contacts and more comprehensive market information. Such arrangements release local management to spend more time in supervising the performance of other services.

All eight cooperatives using sales agencies to market their products performed washing, grading, packing, cooling, and storage services (table 2). Five of these associations, including four citrus cooperatives, provided their growers harvesting services. Five associations arranged trucking services for their customers.

Four of the eight associations provided some kind of production or marketing supplies. Fertilizer, agricultural chemicals, and packaging materials were each provided by two of the eight cooperatives.

Like the cooperatives that provided their own sales services, those using sales agencies assumed responsibility for the quality and condition of the packed product. In addition to the local cooperative, the associated sales agency usually enforced rigid standards of product quality to protect its reputation and that of any brands or trademarks used to identify products it marketed.

The larger agencies have long provided growers and their local cooperatives the advantages of nationally advertised brands. Advertising and promotion of these products has been directed toward increasing consumer demand. Costs for these programs vary by kind or variety of product and are usually assessed on a package or container basis along with the cost of other marketing services provided by the sales agency. In addition to the sales agency expenditures, all eight local cooperatives earmarked some funds for trade advertising, mostly in the directories of produce firm credit ratings.

Sales methods were not of primary concern to the local cooperatives, since they were not directly involved in sales. Information available described methods used by the sales agency. Emphasis was generally on direct sales and a limited use of terminal fruit auctions.

Buyers represented a wide range of retail and wholesale outlets, including some export firms. Sales in export markets demonstrate one of the advantages to be gained from large volume sales operations, an impossibility for most small cooperatives operating independently.

Methods of Grower Payment

Pooling was the primary grower payment method for cooperatives marketing through sales agencies. Seven of the eight associations used pooling and six used pooling exclusively. One fruit cooperative used pooling but made payments on an individual account basis for local sales made at the packinghouse door. The one vegetable cooperative using a sales agent paid growers on an individual account basis. Pooling by the fruit associations was generally on a seasonal basis. One cooperative used 3-day pools for early plums but seasonal pools for all other plums. One citrus cooperative used 4-week pools for navel oranges and seasonal pools for valencias.

Operating costs for the cooperatives using sales agencies were covered in various ways as were those of the associations handling their own sales. Charges were made on a percentage or flat fee basis or by some

combination of percentage and flat fee. Where made, supply sales also produced income for these cooperatives. Charges for services performed by the associated sales agency were added to those of the cooperative when billed to members.

Marketing Agreements

Six of the eight cooperatives marketing through sales agencies used grower marketing agreements. In all but one case, these agreements provided that growers could sell no committed product except to the association.

FINANCING

Twenty-five of the 34 cooperatives studied supplied financial data on assets, equity capital, and net income (table 3). Average assets of the five cooperatives providing auction services were about two-fifths those of the other associations, reflecting substantially smaller investments in facilities and equipment. Substantial assets were required when cooperatives provided facilities for packing services such as those supplied by all 6 cooperatives using sales agencies and 11 of 14 cooperatives making their own sales.

Equity capital, or members' total ownership in the cooperative, equaled 64 percent of assets for the 5 auction associations, 67 percent for the 6 cooperatives using sales agencies, and 37 percent for the 14 cooperatives using their own staffs to market members' produce. Membership equity of cooperative auctions and cooperatives using sales agencies would be considered quite adequate. The 37-percent equity level of those cooperatives having their own sales staffs, although not considered extremely low, would have been considerably higher except for the impact of three associations, with assets averaging $268,000 but with meager equities. None of the three had equities exceeding 4 percent. All were recipients of grant monies at some time and one showed negative equity capital. Although this cooperative's losses wiped out its equity, its principal lenders were private developmental funds that permitted continued operation.

These relatively low-equity associations were not typical of the 14 cooperatives using their own sales staffs. Four associations with assets averaging $110,600 had equity capital exceeding 80 percent. Equity ranged from 57 to 79 percent of assets in three others.

Table 3—Financial data for 25 of the cooperatives studied[1]

Item	Cooperatives using—		
	Auction sales	Own sales staffs	Sales agencies
		Number	
Cooperatives	5	14	6
		Dollars	
Assets:			
Low	13,674	58,804	49,010
High	148,319	783,883	465,165
Average	98,129	234,242	262,423
Equity capital:			
Low	2,410	[2]	31,826
High	111,319	326,142	289,701
Average	62,438	86,491	175,241
Net income:			
Low	2,282	(11,206)[3]	(4,257)[3]
High	15,847	38,488	73,783
Average	9,154	14,467	30,720

[1] Nine of the 34 cooperatives provided only limited financial data including 2 using auctions, 2 using sales agencies, and 5 using their own sales staffs.

[2] One association had accumulated losses. Its accumulated losses wiped out its equity. Its principal lenders were private developmental funds that permitted continued operation.

[3] Loss.

Average net income was highest for the cooperatives using sales agencies, and lowest for the auction associations. None of the five auctions showed a loss for the year. Of the six cooperatives using sales agencies, one had a loss. Among the 14 using their own sales staffs, 2 had losses.

Net income as a measure of performance is not totally satisfactory in the cases of cooperatives because they are organized primarily to provide services for member patrons rather than profits for investors. Growers might better evaluate performance on the basis of services performed and returns for products marketed. Maintaining and expanding markets could be the most significant benefit for members.

Sources of borrowed capital include individuals, banks for cooperatives, commercial banks, and other lending agencies. The banks for

cooperatives are part of the Farm Credit System. They specialize in loans to cooperatives.

USDA's Farmers Home Administration (FmHA) may provide for direct loans or guarantees of up to 90 percent of the amount of loans made to cooperatives by local banks or other approved credit institutions. This is essentially a loan guarantee program. The Small Business Administration (SBA), an independent Federal agency, can make loans, participate with other lenders, or guarantee loans to cooperatives. However, these activities have been very limited with cooperatives. Some of the cooperatives surveyed borrowed from the banks for cooperatives and a few had loans guaranteed by FmHA.

An important source of equity capital for these cooperatives has been the retention of some part of producers' patronage refunds. Patronage refunds are paid out of net savings and are allocated to patrons in proportion to the use made of the cooperative. Usually 20 percent or more producers' patronage refunds is paid in cash, and the remainder is credited to members' capital accounts.

Another method of obtaining equity capital is to retain a specified amount for each unit of product handled by the cooperative. These per unit capital retains represent members' equity in the cooperative. Capital formation through the use of per unit retains should be authorized in the cooperative's bylaws or in a grower marketing agreement. Cooperatives using unit capital retains are often those using the pool method of grower payment.

Equity capital can also be raised by members' cash investment. Direct cash investment was not a major source of funds among the 34 cooperatives, probably because growers' financial resources did not permit. In addition to growers' support, regulations concerning the sale of securities should also be considered when cash investment is involved.

The revolving fund method is commonly used to redeem growers' equity in their cooperatives. Under this method, equities are redeemed in the order invested, the oldest being redeemed first. Six cooperatives using sales agencies and four making their own sales used revolving funds. None of the cooperatives providing auction services used revolving funds.

The equities of the 34 cooperatives do not represent large business investments, yet the individual grower-member's share of those equities in many cases undoubtedly represented a major financial commitment.

Growers' understanding, financial condition, and support were major factors in the financing methods used by these cooperatives.

OPERATING PROBLEMS

Twenty-eight of the 34 cooperatives reported one or more operating problems covering nine different areas (table 4). Labor and insufficient or variable product volume were major problem areas.

Cooperatives reporting problems with labor cited difficulty in getting part-time workers, deteriorating quality of work, and turnover in the work force. Problems of insufficient volume were usually associated with declining production, or the need to have sufficient volume to cover rising marketing costs.

Operating problems can be difficult to categorize because one set of problems can be related to another and managers sometimes may be unable to distinguish clearly between them. For instance, the problem of

Table 4—Operating problems of the 34 cooperatives

Problems	Cooperatives using—			Total
	Auction sales	Own sales staffs	Sales agencies	
	Number			
Labor	2	5	5	12
Insufficient or variable product volume	2	2	5	9
Grower commitment and loyalty	1	3	0	4
Physical plant or equipment repair	1	1	2	4
Operating capital	0	3	0	3
Rising costs	0	0	1	1
Product quality variation	0	0	1	1
Farm supply inventories	0	1	0	1
Miscellaneous marketing problems[1]	0	3	0	3
No problems reported	1	4	1	6

[1] Includes general marketing problems, customer problems, and problems in gaining grower understanding of product maturity requirements for marketing.

grower commitment or loyalty could lead to insufficient or variable product volume. Similarly, physical plant or equipment repairs could arise because insufficient operating capital had been available for maintenance.

An indepth analysis of operating problems was not undertaken, but a review of four cooperatives that ceased operations in the early seventies gives some insight to the causes of termination.

Gloucester County

Gloucester County Agricultural Cooperative Association, Glassboro, N.J., closed down its operations in 1974. It was organized and incorporated in 1933 to hydrocool, store, and market fresh fruits for its members, and to furnish them with production and marketing supplies. Membership was open to persons producing agricultural products who patronized the association and paid the annual $1 membership fee.

Farm product sales accounted for 57 percent of the association's total business volume from 1965 to 1971. Farm supply sales accounted for 37 percent and services accounted for 6 percent of total business volume over this same period. Total business volume averaged $1,748,000 over this 7-year period. In the years just prior to the termination of operations, business volume was reduced substantially.

The major buildings used for the auction, farm supplies, storage, and offices were scattered enough to make efficient management of the operation difficult. Recognizing this problem, the manager recommended the purchase of a site to accommodate centralized operations. The board of directors approved and completed the purchase of the land. But, as plans proceeded for construction of facilities, members became concerned about costs and vetoed the proposed project. As a result, the admittedly competent manager resigned and the project was never completed.

From that time, the cooperative's operations began to show signs of weakness. Manager turnover became a problem as each new candidate proved either incompetent or failed to receive necessary membership support. As the cooperative terminated its operation, it was apparent the board of directors, members, and management had failed to reconcile their differences.

Atlantic County

Atlantic County Market Growers Association Cooperative, Inc., Egg Harbor, N.J., closed in 1970. It was organized in 1936 to market fresh vegetables, potatoes, and berries and to provide a limited selection of marketing supplies for grower-members. Closure was attributed to lack of member commitment which resulted in deterioration of support. Most members used the association when the price was right, but only five members fully supported the cooperative. It was also difficult to persuade growers to pack produce to buyers' specifications. Erosion of member participation and support caused a serious drop in the association's sales volume, reducing marketing effectiveness and necessary operating revenues.

Hanover County

Hanover County Vegetable Growers Association, Inc., Richmond, Va., closed in 1973. It was organized in 1957 to grade, pack, and market tomatoes, greens, and melons for its 168 members. The association never had the necessary member support. It operated with an annual volume of sales ranging from $100,000 to $200,000, a level inadequate for success. Closure actually resulted from a combination of factors including poor location within the central city, reduced volume, a decline in active membership, limited grower commitment, and a decline in vegetable farming.

Trent Farms

Trent Farms, Inc., New Bern, N.C., also closed in 1973 after 6 years of operation. It was organized in 1967 to help 125 small growers market strawberries and cucumbers and provide them with farm supplies. Among factors contributing to the closure were the termination of supporting grants, members' inexperience in vegetable and berry production, lack of volume, and too much hired help. In addition, the cooperative suffered because the broad of directors, employees, and members lacked understanding of cooperative philosophy and operation. Many members used the cooperative only if its prices exceeded those they could expect to get on their own. Intrastaff rivalry and friction also resulted in useless bickering and inefficiency.

All Four Cooperatives

All of these terminated organizations shared a common problem: lack of member support. Although closure or failure was related to a combination of circumstances, lack of membership support contributed heavily in each case. In the Gloucester County case, membership support was lacking for building a more efficient plant. Members of the Atlantic County cooperative failed to support the marketing program on a price basis and in meeting buyers' specifications. The Hanover County organization suffered from lack of product and the Trent Farms cooperative demonstrated a lack of commitment, to cooperative methods generally and to the marketing program in particular.

CURRENT STATUS OF THE 34 COOPERATIVES

No further survey of the 34 cooperatives was undertaken as this report was revised in 1979, and no special attempt was made to enumerate or analyze the activities of associations organized since the original study was completed. However, examination of data reported to ESCS and information available in credit rating directories showed 28 of the 34 cooperatives to be active in 1979. Deflated to 1974 dollars, product sales for 25 of the 28 associations showed little change in recent years. No operating data were available on the other three cooperatives.

Cooperatives among the original 34 that have terminated operations all had 1974 product sales below the average of those using similar marketing methods. The three terminated cooperatives making their own sales were among the four associations with smallest sale volumes. However, the other terminated cooperatives, one auction and two using sales agencies, had 1974 sales volumes only slightly below average for their groups.

A continuation of operating methods was apparent from reports recently supplied by the 25 associations. In 1974, 17 of the 25 cooperatives provided supplies for members. Eleven of the 17 continued to provide supplies in succeeding years.

No major changes were noted in the operating of these small fruit and vegetable cooperatives since 1974. Cooperative discontinuances were few, and only 3 of the 25 associations exceeded the $1-million product sales level (deflated to 1974 dollars).

GUIDELINES FOR ORGANIZATION AND OPERATION

Cooperatives are usually organized to provide a service where none exists or where existing services are inadequate. At first, there may be only a few close friends or neighbors who see the need for better marketing services for their produce, or a better source of production or marketing supplies. As they visit informally, they may begin to realize others in their area have similar needs.

Believing a cooperative might provide such services, these leaders may seek the advice of someone more familiar with cooperative organization such as a marketing specialist in the office of the county or State extension service, or an officer in an established cooperative, an employee of a district bank for cooperatives, the Farmers Home Administration, or a State cooperative council. With the help of an adviser, the leaders should gather facts and figures needed to present their ideas about a cooperative. They may discuss their ideas with community leaders during this period to test general interest.

If this work indicates enough interest to take further action, a meeting of potential members is arranged. Should this meeting generate a show of sufficient interest, the next step in forming a cooperative would be to appoint a survey committee to consider all the conditions under which the cooperative would operate.

Feasibility Study

A feasibility study addressing two questions should result from the survey committee's efforts. First, will the proposed cooperative be successful and beneficial to its members? Second, if success is probable for the proposed cooperative, what specific and detailed organizational pattern will the new organization take?

The committee will collect pertinent facts, weigh the merits of alternative courses of action, and set forth recommendations in a carefully prepared report. The committee may need the advice of experts in such fields as law, accounting, financing, marketing, and engineering. Most helpful to the committee would be the counsel of someone with a sound knowledge of the kind of fruit or vegetable business operation under consideration. The legal requirements and limitations affecting virtually every phase of the committee's work in planning the operation require careful attention and expert advice of an attorney.

The main areas for survey committee consideration include: need for the cooperative, potential membership, membership commitment, volume of business, necessary management skills, required facilities, operating costs, capitalization, and other related considerations.

Economic Need

The economics of the proposed business venture should be carefully considered. The kind and costs of services to be provided by the cooperative must be determined. If these services are currently available in the community or nearby, the committee must consider whether the cooperative can improve them or reduce their costs.

In determining which marketing services the proposed cooperative could provide, the committee should review sales alternatives outlined in the foregoing sections of this report: auction sales, establishing their own sales staff, or using the services of a sales agency. These and other marketing services, and the purchasing of production or marketing supplies should be recommended only after each has been considered carefully.

A cooperative is not needed unless its members will receive monetary or other benefits from it they would not receive otherwise. If there is no clear need for the cooperative, the committee need not proceed further.

Estimating Potential Business

Potential membership and business volume must be estimated. A necessary volume for efficient operation must be determined. This may require a survey of potential members to discover their service requirements. These estimates should be conservative. Not all persons interested will join. Not all who join will do so at the beginning. And not all members will make full use of the cooperative's services. Full consideration should be given to the extent of prospective members' experience in producing fruits or vegetables as these estimates are made.

Necessary Management Skills

A small fruit and vegetable cooperative may require only part-time or seasonal employees. A member of the board of directors could serve as a manager in some small operations, but probably directors would be involved in farming operations at the time their services were most needed by the cooperative.

In most cases, a full-time manager is needed to run an efficient business operation. Although the survey committee would not be hiring a manager, it should be sure that such a person competent to meet the proposed cooperative's needs is available. Without a good manager, the new cooperative will have much difficulty in operating satisfactorily no matter how urgently its services are needed.

Facilities Required

Facilities necessary for the kind of operation recommended by the survey committee must be outlined in the feasibility study. Expected business volume should be considered carefully with consideration for future expansion.

Costs of buying or leasing an existing plant or used equipment, as well as the costs of a new facility, should be investigated. If elaborate facilities are contemplated, the advice of skilled technicians should be obtained.

Estimating Operating Costs

Estimating cost of operation is one of the most important jobs of the study committee. Potential members should not be led to expect a better performance than the cooperative can achieve. These estimates can be compared with costs of services now provided, permitting growers to make their own evaluation of the worth of any projected savings. Estimates will provide an opportunity to compare costs at various levels of business volume. Such an analysis will help the committee determine an optimum business volume around which operations can be organized.

Capitalization

Attention must be given to the whole package of financing issues, including how the cooperative will raise capital, how much will be needed, and provision for reserves. Small fruit and vegetable cooperatives have taken a number of approaches to these issues. The foregoing section of this report summarizes financing methods used by the 34 cooperatives, and discusses the range of financing options commonly used.

The financing methods to be used by the cooperative should, as much as possible, be the ones most acceptable to the members who must make the capital contributions, or pay the cost of borrowed capital. Members should be capable of raising equity capital sufficient to assure adequate supplemental funding through borrowings. Plans should also be made for repaying growers' capital contributions through revolving fund

financing, or some other method of keeping members' investment related to use of the cooperative. Also, plans need to be made to meet unforeseen circumstances such as might occur in a poor business year.

In developing a financial plan for the cooperative, committee members can use specialized information available from the district banks for cooperatives, the ESCS cooperatives program, and other sources. If possible, a finance specialist should be consulted. Lacking this possibility, the proposed plan could be checked with a financial institution, such as the district bank for cooperatives, to assure its soundness.

Other Considerations

All matters of importance to organization and operation of the business should receive attention of the survey committee.

Membership

Membership qualifications need to be considered. Membership to be served by the cooperative should be located in an area no larger than will permit efficient service. Active participation may be a requirement of membership. Some evidence of membership support or commitment is desirable, such as a membership fee or the purchase of a share of common stock. The survey committee should recommend whether the cooperative will do business with nonmembers and, if so, to what extent and under what conditions. State laws covering cooperatives and State and Federal income tax laws have provisions to be taken into account when deciding the extent of nonmember business.

Representation on the Board of Directors

It may be desirable to elect directors by districts if membership will be widely scattered. If several commodities will be marketed, it may be desirable to have producers of each commodity represented on the board.

Grower Payment Methods

Payment methods include outright purchase, selling for the individual grower's account, and pooling. However, in the case of a newly formed cooperative, members' products are not usually purchased outright because the risk in covering costs in such transactions can be high. Instead, using either of the other two payment methods, the cooperative sells the products and returns to members the proceeds, minus selling expense and the cooperative's operating cost.

Pricing Supplies and Services

Usually, purchasing and service cooperatives charge members prevailing prices for supplies and services. Any savings at the end of the fiscal year are returned to members in the form of patronage dividends.

Quality

Good product quality control can enhance the cooperative's reputation in the marketplace. Such a program should be considered by the survey committee with recommendations for handling, grading, and inspecting the fruit and vegetable products to be marketed. For some products, marketing may be limited to only certain varieties produced under specific cultural practices. Controlled harvesting and central packing may be specified.

Marketing Agreement

The basic purpose of grower organization marketing agreements, or contracts, it to assure the cooperative a definite volume of business. Also, they may be used to specify other rights, duties, and obligations of the two parties entering into the agreement. It might, for instance, have provisions for controlling quality as outlined above, or it may spell out how costs are to be covered. The marketing agreement is an integrating device which transfers some decisionmaking from the individual grower to the organization. By relinquishing some control over their production or marketing, growers permit the association to coordinate the marketing activities of all members more effectively.

Other Matters

The committee should make recommendations on a number of other matters that must be settled before the articles of incorporation and the bylaws are drafted, such as the name of the organization, voting procedures, and rules for management of the association. These management issues would at least include rules for meetings; duties of directors, officers, and managers; appointment of committees; provisions for the allocation and distribution of savings; and other pertinent matters.

The Feasibility Report

The feasibility report will include the survey committee's findings and recommendations. It need not be lengthy, but it should be orderly and available when the committee reports to prospective members. At that time, the committee should be ready to answer questions and to present any additional facts and figures collected but not included in the report.

Presentation of the report will be made at the second general meeting of potential members. Enough time should be taken to discuss the report thoroughly even if the meeting has to be adjourned and reassembled at a later time to complete the deliberations. After the discussion, if enough people are interested to go ahead an organizing committee is appointed.

The Organizing Committee

The organizing committee has five main tasks: sign up the required number of members, obtain the subscribed capital, draft the legal organization papers, file the articles of incorporation, and arrange the first meeting of the original members.

Signup

Signing up members may proceed best if an organization agreement is used. By signing this document, the signer agrees to belong to and patronize the proposed cooperative and to furnish a specified amount of the initial capital—if a certain number of other prospective members also sign up within a given time period.

The committee may want to enlist others to help in making a canvass of all prospective members. However, all who solicit should thoroughly understand the way the cooperative is to operate and make no promises or assurances about the cooperative's operation that cannot be fulfilled.

Capital Subscriptions

Collection of capital subscriptions by the committee should be undertaken when enough members have signed up to insure the desired volume of business. This should be turned over to someone designated by the committee and complete records kept of all subscriptions.

Legal Papers

Drafting legal papers will require close cooperation with a legal adviser to insure that they provide for the kind of operation the incorporators want. These papers will include articles of incorporation, the bylaws, and (in many instances) a marketing agreement. Some marketing agreements can be drafted to also serve as an application for membership. Other legal documents usually needed include: Membership application, membership or stock certificate, other equity certificates, meeting

notice, and waivers of notice. All documents must be drawn to conform to applicable State statutes.

Incorporation

Filing the articles of incorporation in the proper State office brings about the legal birth of the cooperative corporation. The organizing committee does the filing.

The First Meeting

Under most State cooperative statutes, bylaws must be adopted by a majority of members or stockholders. The procedure for bylaw adoption may vary but, essentially, a limited number of persons named in the articles of incorporation attend the first meeting as charter members to adopt the bylaws. The charter members, or shareholders, convene the meeting and transact the essential business including the adoption of bylaws and the election of directors.

As soon as possible after the adoption of bylaws the directors should hold a meeting to make the cooperative ready for operations. If this meeting is held without notice, the directors must sign a waiver of notice.

This first meeting of the directors should:

- Elect the first officers of the cooperative.
- Adopt an application form for membership or stock subscription.
- Adopt the form of marketing agreement if one is to be used.
- Choose the cooperative's bank.
- Designate officers or employees to be authorized to handle funds and issue checks.
- Arrange for bookkeeping and auditing.
- Arrange for bonding officers and employees as required in the bylaws.
- Provide for necessary insurance.
- Arrange for securing facilities.
- Arrange for distribution of copies of the articles of incorporation and the bylaws.
- Select a manager.

Special Rules for Success

Know The Law

Know the law pertaining to cooperatives and to all business matters. Know the requirements, the limitations, and the actions required. Selling

of investment securities, tax consequences of issuing patronage refunds, and per unit retains should be examined.

Get Expert Help

Get expert help in meeting the special problems of law, accounting, engineering, and marketing. An experienced adviser can save directors and management much time and the cooperative much expense.

Separate Policy and Management Functions

Except in the smallest of cooperatives, boards of directors are concerned primarily with setting basic policies and objectives, employing a manager, and reviewing operations to assure conformance with policies and objectives. The manager is responsible for day-to-day management of the association, hiring employees, and planning a program to carry out the policies and objectives established by the directors. Although the directors and the manager should work as a team, one should not interfere with the functions and responsibilities of the other.

A competent manager must be a good supervisor of the cooperative's employees and he should be capable of developing and executing operating plans. The manager should also be prepared to develop and advise the board of directors on policy alternatives and organization objectives. The manager's qualifications should include experience in the marketing of fruits and vegetables and an understanding of the requirements of the food industry. This person must be alert to improved methods. In addition, the manager should be sympathetic to cooperative principles and able to develop membership confidence and loyalty.

Keep Board Flexible

A flexible board assures regular changes in directors and a continuing benefit of new ideas and fresh approaches. To assure flexibility, the bylaws should provide for directors' terms of office to be staggered so some experienced directors remain on the board after each election. Also helpful would be bylaws requiring at least two nominees for each board vacancy, provisions for a nominating committee on which no director would serve, nominations from the floor, and voting by secret ballot.

Encourage Member Participation

A good member relations program could encourage active member participation. Members need to be informed of developments in operations, market outlook, new developments in production, and numerous other matters. Membership meetings, both annual and special, can be a

means for getting this information to growers. But, perhaps more effective are management's visits to members' farms where specific problems can be discussed and the use of newsletters to keep growers informed of current developments.

Be Realistic

"Be realistic" is an especially good general rule. Ask hard questions and insist on factual answers. Establish reasonable goals, but avoid overly ambitious undertakings. Encourage grower participation and membership, but never oversell potential benefits or underestimate any risks. Be realistic about the economic need for the cooperative and members' support and ability to finance the undertaking. Emphasis must be given to establishing a cooperative in the highly competitive environment of the real world.

OTHER PUBLICATIONS AVAILABLE

Farmer Cooperative Publications, CIR-4.

Fruit, Vegetable and Nut Cooperatives, CIR-1, Section 13.

Cooperative Development in Rural Areas, CIR-1, Section 4.

Mr. Chairman, CIR-8.

"Sample Legal Documents," *Legal Phases of Farmer Cooperatives,* Inf. 100, Part 1.

Handling Net Margins Under Federal Tax Laws, CIR-23.

For copies, write the Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Room 550, 500-12th St. S.W., Washington, D.C. 20250.

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Economics, Statistics, and Cooperatives Service

The Economics, Statistics, and Cooperatives Service (ESCS) collects data and carries out research projects related to food and nutrition, cooperatives, natural resources, and rural development. The Economics unit of ESCS researches and analyzes production and marketing of major commodities; foreign agriculture and trade; economic use, conservation, and development of natural resources; rural population, employment, and housing trends, and economic adjustment problems; and performance of the agricultural industry. The ESCS Statistics unit collects data on crops, livestock, prices, and labor, and publishes official USDA State and national estimates through the Crop Reporting Board. The ESCS Cooperatives unit provides research and technical and educational assistance to help farmer cooperatives operate efficiently. Through its information program, ESCS provides objective and timely economic and statistical information for farmers, government policymakers, consumers, agribusiness firms, cooperatives, rural residents, and other interested citizens.

United States Department of Agriculture

Agricultural Cooperative Service

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What We Do—How We Work

What We Do

Agricultural Cooperative Service (ACS) devotes its total effort to preserving and improving the heart of American agriculture—the family farm.

Our role stems from the long-standing and clear public mandate to the U.S. Department of Agriculture to foster and support the family farm as the means by which our Nation's food and fiber are produced.

Family farmers use the cooperative form of business to increase their income and enhance their quality of living. They use cooperatives as an extension of their farm businesses to jointly purchase production supplies, process and market products, and perform related services. By working together for mutual benefit, family farmers are able to reduce costs and obtain greater returns in the marketplace. They are able to provide Americans with the world's most plentiful, highest quality, and least costly food.

Our direct role is providing knowledge to improve the effectiveness and performance of the farmer's cooperative business. We help in several ways.

Research

Research is conducted to acquire and maintain the base of information necessary for Agricultural Cooperative Service to give farmers relevant and expert assistance pertaining to their cooperatives. Studies of functional cooperative aspects concentrate on their financial, structural, managerial, policy, member, legal, social, and economic activities.

Concerted effort is made to ensure research has direct application to cooperatives' current and emerging requirements to serve the family farm most effectively as a dimension of market structure. We have a major challenge to analyze industry structure and cooperative operational practices to determine the changes required to maintain or achieve a producer-oriented marketing system.

Technical Assistance

Technical assistance is provided in response to specific problems. Requests may come from a few farmers directly wanting to organize a cooperative, or from farmers' elected directors of a federation of cooperatives composed of hundreds or thousands of farmers desiring to improve operations. Help is given on business organization, operating efficiency, and member control. Work can involve determining the economic feasibility of new facilities or adding new products or services. Advice may be given on the merits of merging organizations or forming

low We Work

Guiding principles for our efforts center on providing nmediate response and leadership amid the changing economic environment in which family farmers operate. The agency is prepared to work with well-established, commercial farmers or those with low volume and limited esources.

We have about 60 agricultural economists and cooperative specialists, backed by 29 support personnel. Many have specialized beyond their professional training in specific areas unique to cooperatives—business organization, finance, marketing, purchasing, transportation, and member education.

One specialist or a team may tackle a project. Staff members do more than gather data by mail. We travel extensively, walking in factory and field, to gather information first hand by personal interview.

We may provide assistance directly or serve as a catalyst in bringing together the best available resources to each an objective. We may work alone or consult specialists with other State and Federal agencies such as Extension Services, universities, with one or a group of cooperatives, or other private consulting groups.

Because of our versatility and flexibility, ACS is a national focal point for activity about agricultural cooperatives.

Over the years, our activities have been wide-ranging and complex. Yet our fundamental purpose remains simple: To foster agricultural cooperative growth and efficiency.

History Capsule

Assisting agricultural cooperatives was an informal activity within the U.S. Department of Agriculture as early as 1867.

1901—Information assembled as reference data on farmer cooperatives in the United States.

1912—First official USDA project in agricultural cooperatives.

1913—Office of Markets formed, cooperative activity included.

1922—Assistance formalized as the Division of Agricultural Cooperation, Bureau of Agricultural Economics.

1926—Renamed Division of Cooperative Marketing.

1929—Transferred to Federal Farm Board.

1933—Transferred to new Farm Credit Administration (FCA), an independent agency, and later renamed Cooperative Research and Service Division.

1939—FCA returned to USDA jurisdiction.

1953—FCA again became an independent agency but Cooperative Research and Service Division remained with USDA and elevated to an agency, Farmer Cooperative Service (FCS).

1978—FCS combined with Economic Research Service and Statistical Reporting Service to form a new agency, Economics, Statistics, and Cooperative Service (ESCS).

1980—Cooperatives segment of ESCS returned to agency status as Agricultural Cooperative Service.

Where to Get More Information

All policies, programs, and activities are pursued on a nondiscriminatory basis without regard to race, creed, color, sex, or national origin. For further information or assistance, contact:

Agricultural Cooperative Service
United States Department of Agriculture
Cooperative Information Report 28
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